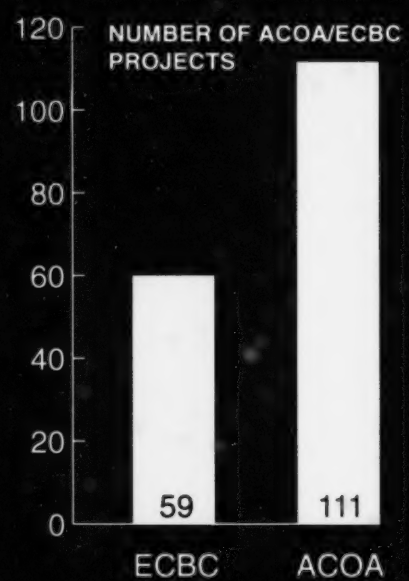
ENTERPRISE CAPE BRETON CORPORATION **ANNUAL REPORT** 2003

TAKING ROOT IN THE NEW ECONOMY

ECBC KEY PERFORMANCE INDICATORS AT A GLANCE



Enterprise Cape Breton Corporation *Société d'expansion du Cap-Breton*

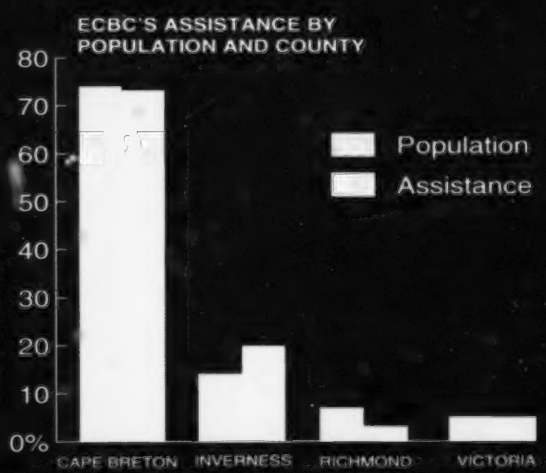
Canada

Commerce Tower, 3rd Floor, 15 Dorchester Street, Sydney, Nova Scotia B1P 6T7 1-800-705-3926 www.ecbc.ca

ECBC KEY PERFORMANCE INDICATORS AT A GLANCE

PROJECT SUMMARY LEVELS OF ACTIVITY (2002–2003)

	ECBC Programs	All Programs (ACOA/ECBC)
Total number of projects	59	170
Total dollar value of commitments	$17,066,380	$37,221,176
Total dollars leveraged	$16,389,465	$38,700,189
Total number of jobs created (estimated)	124	269
Percentage of assistance to commercial projects	21%	32%
Percentage of assistance to non-commercial projects and CBDCs	79%	68%
Percentage of repayable contributions	14%	27%
Percentage of non-repayable contributions	86%	73%



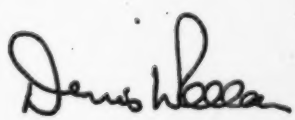
The Honourable Gerry Byrne, P.C., M.P
Minister of State for
Enterprise Cape Breton Corporation
and the Atlantic Canada Opportunities Agency
House of Commons
Ottawa, Ontario K1A 0A6

Dear Minister:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Enterprise Cape Breton Corporation for the fiscal year ended March 31, 2003.

This Annual Report is submitted in accordance with the provisions of the *Financial Administration Act* and *the Government Organization Act, Atlantic Canada, 1987*. It contains the annual financial statements together with the auditor's report thereon.

Yours sincerely,



DENNIS WALLACE CHAIRMAN OF THE BOARD OF DIRECTORS
Enterprise Cape Breton Corporation

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MESSAGE DENNIS WALLACE CHAIRMAN

The preparation of this annual report affords an opportunity to reflect on the challenges we face in the economic redevelopment of Cape Breton Island and Mulgrave. It also allows us to see the progress being made toward a more diversified and sustainable economy. The theme for this year's report is "Taking Root in the New Economy." This is indeed appropriate given the success that Enterprise Cape Breton Corporation (ECBC) has had after completing three years of its five-year plan.

No one can deny that the Cape Breton economy has experienced difficult times and uncertainty. The closure of the Island's traditional industries was a blow to an already fragile economy; one that had been experiencing chronically high unemployment and low participation rates for many years.

Against this backdrop, the ECBC Board of Directors developed the five-year plan to improve economic conditions. This was to be accomplished by increasing the level of commercial activity in the community and by stimulating job creation, exports and new investment. At the same time, the Board instituted a new performance management framework to establish clear targets for a number of benchmark activities. The ongoing implementation of this plan is a tribute to the dedication and vision of ECBC's Board members. They are providing strong leadership at a critical juncture in the Island's history.

I am pleased to report that positive things are happening on Cape Breton Island. We are taking root in the new economy that is being developed. Since 1999, through investments by ECBC and its partners, over 1,900 jobs have been created on the Island. Additionally, employment in 2002 remained at one of the highest levels since 1988 and unemployment for 2002 fell to 15.1%, one of the lowest rates in over a decade. Earned incomes are increasing and the dependency ratio, which stood at 61.47 in 1994, has been on the decline, standing at 43.20 in 2000. These statistics are strong indicators of ECBC's success and commitment.

Although great strides have been made and economic indicators are improving, the ultimate goal has not yet been achieved. The challenge that we now face in diversifying the Island's economy is to move into new sectors of growth and opportunity. Investing in strategic infrastructure and attracting new business investment to Cape Breton are priorities for ECBC. These priorities form the basis of the current Corporate Plan.

ECBC is well positioned to deliver on the Government of Canada's commitment to regional economic development. The Corporation's Board of Directors is comprised of skilled, community-minded individuals who have a keen appreciation of both the ECBC mandate and the community it serves. The staff brings a diverse expertise to ECBC's operations and activities. As residents of the area, they have a vested interest in the Corporation's success.

On behalf of the Board of Directors and the staff of ECBC, it is my pleasure to present this annual report. The report clearly demonstrates that the Government of Canada, through the programs and services offered by ECBC, is achieving the objectives established in the ECBC Act. More importantly, it is making a positive contribution to the Cape Breton Island and Mulgrave communities.

MESSAGE CHIEF OPERATING OFFICER

It has been almost four years since the Government of Canada announced its decision to withdraw from the coal mining industry on Cape Breton Island. It has been just over two years since the closure of the Island's last mine. Despite these closures, the local economy has persevered and, in fact, has shown marked improvements on a number of fronts.

The closure of the Cape Breton Development Corporation's (Devco) mines, coupled with the closure of Sydney Steel Corporation (Sysco), represented a watershed event for both the people of Cape Breton and for ECBC. With the sudden loss of such a significant number of jobs, there was genuine concern about the Island's future.

Faced with the challenge of rebuilding the Cape Breton economy, ECBC, in consultation with the community, developed a new five-year plan designed to address the developmental needs of the Island. Through opportunity identification, careful investment and strategic partnerships, the Corporation sought to improve economic conditions. This was to be accomplished by increasing the number of business start-ups, leveraging additional investment and promoting exports. To meet this challenge, a number of organizational changes were implemented.

As we pass the mid-point in this five-year initiative, we are witnessing the results of these efforts. Year over year, the economic indicators are showing solid improvement and ECBC's activities in 2002-2003 have contributed to that trend.

For the Corporation, it has been a busy year. Targets relating to job creation, the total dollar value of investment leveraged from other sources and the number of export sales have been exceeded. Increased optimism in the business community has led to an increase in the number of commercial applications. The additional allocation ($10 million) provided to the Corporation to assist communities most affected by the closure of Devco has been almost totally committed. The loan portfolio has grown and the Corporation has met its cash flow projections.

Operationally, the Corporation continued its efforts to strengthen its human resource capacity and to fine-tune its programming. An internal reorganization has resulted in additions to the commercial and non-commercial units, with an increased emphasis on project monitoring and investment prospecting. A new program, festivals and events, was launched in 2002. This initiative was designed to strengthen community development and to diversify the tourism product available on the Island. It was well received and was used to fund 42 community events. Succession planning for key management positions has been identified as a priority and work is ongoing in this regard. The Corporation has also instituted individual training plans for all employees.

In addition to its own programs, the Corporation expends considerable time and effort in the ongoing delivery of the programs of the Atlantic Canada Opportunities Agency (ACOA) in the mandate area. ECBC also continues to provide administrative and technical support to the Cape Breton Growth Fund (CBGF).

As this annual report will demonstrate, ECBC is effectively meeting the challenge of its mandate and taking root in the new economy of Cape Breton Island. Our success over the past year, and throughout the life of the current five-year plan, is due not only to the spirit and determination of the people of the Island, but also to the hard work and dedication of the ECBC staff. They have a vested interest in the future of this community and work tirelessly toward the achievement of the Corporation's goals.

SENIOR MANAGEMENT TEAM

RICK BEATON VICE PRESIDENT AND CHIEF OPERATING OFFICER. Prior to taking on his current assignment, Rick was Director General, Policy and Programs for ACOA in Prince Edward Island (PEI). He was responsible for the development and management of all programming instruments, as well as the development of policy and strategic planning initiatives. He has also held the positions of Director of Corporate Affairs for ACOA Corporate Affairs and Tourism Division in Charlottetown and was responsible for ACOA's Ministerial Liaison Office in Ottawa.

FRANCIS MULLINS DIRECTOR GENERAL OF OPERATIONS. Francis has held a variety of financial positions within Devco and ECBC. As Director General, Francis is responsible for property management, the Nova Scotia Infrastructure Works Program and liaison with the Office of the Auditor General regarding Special Examination and Treasury Board.

KEN MONTGOMERY DIRECTOR GENERAL OF DEVELOPMENT. Ken is a professional engineer who worked for over 25 years with a major Maritime power utility. Prior to joining the Corporation in 2000, he worked in the area of economic development on PEI. The development team is responsible for non-commercial projects and includes dedicated positions working in community economic development, information technology, corporate planning, as well as tourism development and trade and investment.

LORI MARENICK DIRECTOR GENERAL OF CORPORATE SERVICES. Lori joined the Corporation in 2001, after almost 20 years with a national Canadian chartered accounting firm. Lori is a chartered accountant (CA) with a wide range of experience in public practice including, accounting, tax and consulting. As the Director General of Corporate Services, Lori is responsible for information systems, accounting and payments.

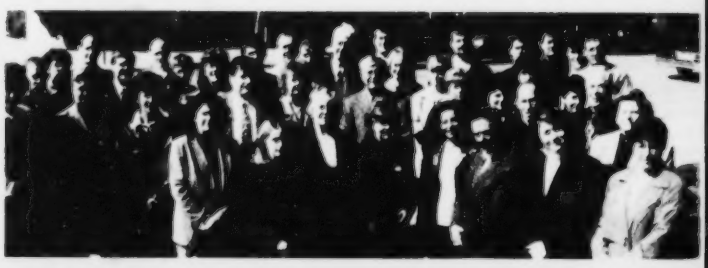
MARLENE USHER DIRECTOR GENERAL OF COMMERCIAL PROGRAMS. Marlene joined the Corporation in 2001, after 12 years with a national chartered accounting firm. As a CA, she brings a wealth of experience in private sector business and consulting services. Marlene heads a team of professional account managers who focus on commercial projects, as well as business planning and consulting.

JOE WILD LEGAL COUNSEL AND CORPORATE SECRETARY. An employee of the Department of Justice since 1994, Joe became full-time corporate counsel to ECBC in 1997. Born in Montreal and raised in New Brunswick, Joe is a member of the Nova Scotia Barristers' Society and a member of the executive of the Canadian Bar Association, Nova Scotia Branch.

WENDELL MACGILLIVARY DIRECTOR OF ADVOCACY. Wendell assumed this position in 2001. He has been employed with the Government of Canada for the last 25 years, where he has occupied various positions with ACOA and the Department of Regional Economic Expansion. The Advocacy position was created to ensure that Cape Breton Island issues are adequately addressed within the federal and provincial bureaucracy in Halifax.

JOE CASHIN DIRECTOR OF INTERNAL AUDIT. Joe joined the Corporation in 2001, after almost 10 years of experience as a CA. Joe has a wide range of experience in private industry and public practice including, accounting, auditing and tax. Joe is responsible for the performance measurement and compliance capabilities for the Corporation.

D.A. LANDRY DIRECTOR OF COMMUNICATIONS. A native of Cape Breton, D.A. holds a law degree and has worked with the Corporation in various positions since 1988. Prior to this, he was employed with the Committees and Private Legislation Branch of the House of Commons in Ottawa. As Director of Communications, he oversees the planning and implementation of various internal and external communication activities.



CORPORATE MANDATE

The *ECBC Act* provides the Corporation with a broad legislative mandate which reads:

The objects of the Corporation are to promote and assist, either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on Cape Breton Island* to provide employment outside the coal producing industry and to broaden the base of the economy of Cape Breton Island.

*This definition of Cape Breton includes the Mulgrave area.

MISSION

The mission statement focused the Corporation on the major issues affecting the economy of Cape Breton Island and the Mulgrave area. ECBC's mission statement reads:

Enterprise Cape Breton Corporation (ECBC) is the principal federal government organization for economic development in Cape Breton. ECBC, in partnership with all levels of government, the private sector and other community stakeholders, will use its broad and flexible powers to assist, promote and co-ordinate efforts that foster an environment supportive of the generation of wealth to effect sustainable job creation throughout Cape Breton Island and Mulgrave.

POSITION WITHIN GOVERNMENT

ECBC is a Crown corporation that reports to Parliament through the Minister of Industry via the Minister of State responsible for ACOA, ECBC and the CBGF. In addition to its own programs, ECBC is responsible for the delivery of the programs of ACOA for Cape Breton Island. In 1995, ECBC and ACOA signed a Memorandum of Understanding (MOU). The MOU was renegotiated with ACOA for an additional five-year term effective April 1, 2000. ECBC designs its programming and economic development strategies to complement ACOA programming.

In August 2000, the CBGF was incorporated as a wholly-owned subsidiary of ECBC with its own Board of Directors. The Governor-in-Council declared that Part X of the *Financial Administration Act* applies to the CBGF as if it were a parent Crown corporation. This means that the CBGF reports separately to Parliament through its own Corporate Plan and Annual Report. ECBC, through an MOU with the CBGF, provides program and operational support.

In addition to its relationship with ACOA and the CBGF, the Corporation is a member of the Industry Portfolio. ECBC has a history of working in partnership with Human Resources Development Canada (HRDC), the Nova Scotia Department of Economic Development, the Nova Scotia Petroleum Directorate and the Nova Scotia Department of Tourism on a number of economic development initiatives. ECBC has and will continue to foster working relationships with all levels of government.

BOARD OF DIRECTORS

2002–2003

DENNIS WALLACE

Appointed Chairman of the Board and President of September 4, 2001. Prior to this appointment, he had beer Deputy Minister of Indian & Northern Affairs Canada for th

RICK BEATON

Vice President and COO, formerly Director General of Prog ACOA in PEI and Departmental Liaison to the Minister's Offi Ottawa

BETTY ANN AUCOIN

Administrator Hôpital Sacré-Coeur and Foyer Père Fiset, C Nova Scotia

SPYRO TRIFOS

Architect, owner/operator of Trifos Design Consultants, Nova Scotia

Resigned from the ECBC Board on February 28, 2003

FERNE MACLENNAN

Educator (Nova Scotia Community College, Strait Camp community economic development activist, River Denys, Nova

CURDIS KARREL

Businessman, owner/operator of Island Distributors as well a business interests, Sydney, Nova Scotia

GREGORY MACKENZIE

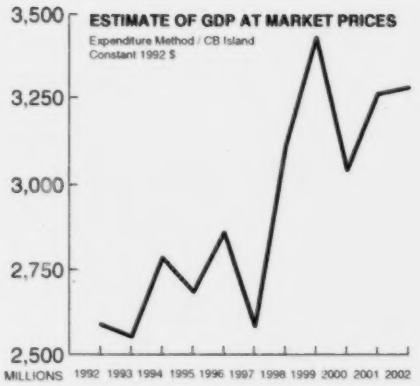
CA and Trustee in Bankruptcy – senior principal with KPMG Cha Accountants, Sydney, Nova Scotia

CONTEXT

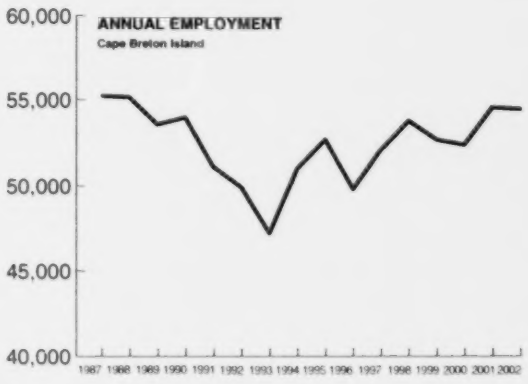
Coal and steel production were the backbone of the Cape Breton economy for generations. For many years, these industries provided high income employment to thousands of workers. Approximately two years ago, the federal and provincial governments announced the closure of the coal and steel industries on Cape Breton Island, directly affecting approximately 2,300 people. Expectations after the closures were that the Island economy would experience a serious downturn that could cause irreparable damage. In an effort to stabilize the economy, the Government of Canada focused on attracting the tele-service industry. This provided much needed employment and mitigated the negative effects of the coal and steel closures.

While the economy did not falter as some had predicted, many challenges still need to be addressed. Excesses in the labour force have resulted in a lingering gap in per-person incomes between Cape Breton and the rest of Canada. Related to these excesses is a continuing out-migration of Cape Breton citizens that has caused a decline in population over recent years.

Estimates of inflation-corrected GDP for Cape Breton, show that economic conditions on the Island have improved. Employment remained high in 2002 and showed more stability, month over month, than was apparent in 2001. Although annual averages for the respective years were virtually identical, jobs lasted longer throughout 2002. Employment levels in 2001 tended to be more erratic.



'Socio-economic Impact of the Tele-service Industry on Cape Breton' - Canmac Economics
Historical CPI. - Statistics Canada

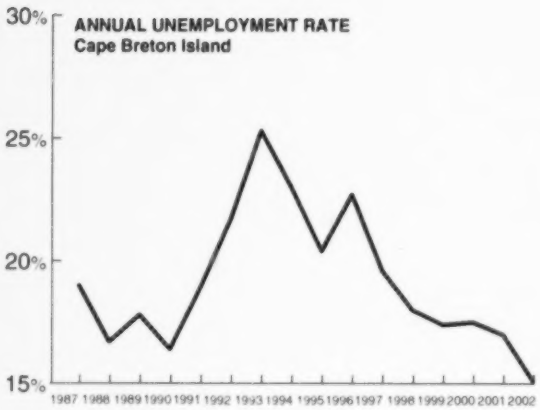


Labour Force Survey, Statistics Canada

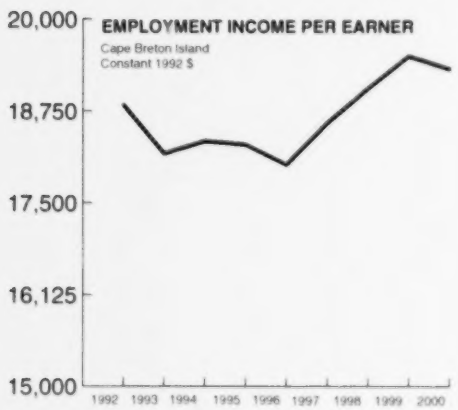
Increasing stability in employment is a good leading indicator of increasing consumer and business confidence. The annual unemployment rate in 2002 was recorded at an all time low of 15.1%. This figure is still high compared with the rest of Canada, indicating an excess within the labour market.

Between 1995 and 2000, average per-person incomes have increased on Cape Breton Island (1996 and 2001 Census, Statistics Canada). No data is available for 2002, but high levels of employment in 2001 and 2002 should have resulted in increasing per-person incomes in those years. Increasing incomes contribute to economic strength through increased spending on small enterprises that serve the local economy.

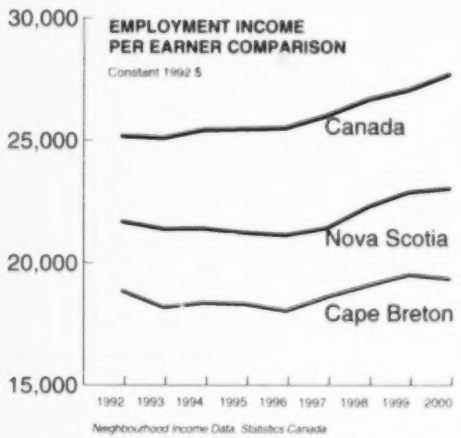
While average incomes have risen on the Island, they have not risen as fast as the provincial or the national averages. The widening gap in average incomes is not particularly surprising given the high unemployment rate on the Island. Excess labour tends to keep wages low, as employers have a large labour pool to draw from.



Labour Force Survey, Statistics Canada



Neighbourhood Income Data, Statistics Canada



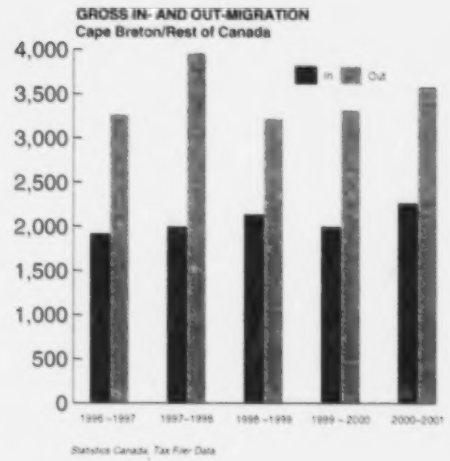
Neighbourhood Income Data, Statistics Canada

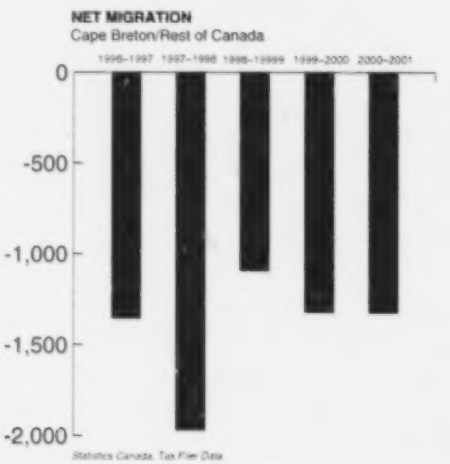
Economic conditions, such as a high unemployment rate, tend to influence the decision to migrate. Even though the unemployment rate has fallen to record lows for the Island, it still remains on the high end of the scale.

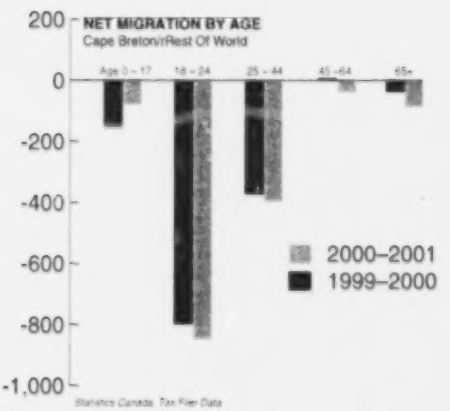
Out-migration continued to be a structural challenge for the economy throughout 2002. The labour force survey indicated an annual loss of about 1,100 people aged 15 and up since 2001. This population has shown continued decreases since 1994. The survey indicates that many who left were among the unemployed.

It is expected that out-migration will continue until these labour excesses reach acceptable levels. Recent increases in employment have no doubt aided in this challenge. However, increases in a diverse range of opportunities will be needed if this outflow of people is to be reversed. This remains a key challenge for the Island economy.

The Government of Canada, through ECBC, continues to address this challenge. This is done by increasing levels of employment in targeted sectors that have been identified as having potential for long-term sustainable growth.







PERFORMANCE MANAGEMENT SCOREBOARD

A performance management framework was put in place for ECBC in 2000–2001. The ECBC approach employs a results-based performance evaluation framework. Its primary focus is to produce meaningful measures that facilitate management's views on the Corporation's goals, how to meet these goals and whether the goals are being achieved. Put simply, a results-based performance evaluation framework will verify whether or not the Corporation is doing what it set out to achieve in its Corporate Plan.

Through its corporate planning process, the Corporation has forged a clearly defined link between its mission, strategic priorities and its activities. This link has been further refined by establishing objectives for each of the strategic activities, along with key results that are expected to be accomplished over a specified period of time. This type of performance management structure provides the accountability needed to the Corporation's President, Board of Directors, Ministers, the Treasury Board Secretariat, Parliament and the public.

In addition, each year the Corporation carries out research to determine how the investments made by the Corporation and the results achieved, are impacting the overall economy.

Over the past three years, the Corporation made some strategic investments in the tele-service industry. In 2002–2003, the Corporation commissioned a socio-economic impact analysis of the tele-service industry to determine its impact on the Cape Breton Island economy.

The analysis determined that the industry has become an important economic driver. It accounts for $66.7 million or 2.6% of total Cape Breton household income and 4,518 person-years of employment or 8.3% of total employment. The total economic impact of the tele-service sector accounts for $83.0 million or 2.4% of gross domestic product (GDP). Overall, for every dollar of government incentive invested in the tele-service industry, $8.30 in income is generated.

The Corporation also commissioned an economic impact analysis of the festival and events initiative funded by the Corporation in 2002–2003. The analysis determined that the total economic impact of this initiative is estimated at $12.7 million in household income, 400 person-years of employment and $19.8 million in economic output, as measured by the GDP. Overall, the festival and events initiative generated $9.60 in incremental income per dollar provided by ECBC.

The Corporation annually carries out a benchmark sector study to determine the level of business activity in a number of the Corporation's priority sectors on Cape Breton Island.

The survey serves to provide baseline data on:

- the number of firms,
- number of employees,
- number of entries/exits from the sector,
- approximate sales,
- expenditures on research and development,
- modes of transportation for product distribution,
- number of firms exporting,
- approximate export sales, and
- percentage of total sales from exporting.

PERFORMANCE MONITORING

- Verifies that the Corporation is achieving what it set out to achieve.
- Provides feedback on corporate goals and outcomes for management planning.
- Provides a basis for public reporting and accountability.

The survey allows the Corporation to make comparisons from year to year and to determine whether or not the sectors are demonstrating growth or decline.

For ECBC, performance measurement demonstrates how the Corporation's activities are impacting the overall economy. It provides evidence about a program's impact, in an effort to determine whether the Corporation is achieving its mandate.

The remainder of this section examines the activities and accomplishments of ECBC in 2002–2003. The activities are analysed against the targets set in the 2002–2003 Corporate Plan and ECBC's performance management framework.

ACTIVITIES & ACCOMPLISHMENTS

STRATEGIC ACTIVITY – SUPPORT TO BUSINESS

OBJECTIVE

To grow the economy by encouraging private sector investment in projects that enhance the competitiveness of commercial enterprises and increase trade opportunities to produce long-term, sustainable jobs.

Small and medium-sized enterprises (SMEs) have become an important economic driver for the Canadian economy. In Cape Breton, almost 90% of companies have fewer than 20 employees. ECBC recognizes the contribution that SME's make to the economy in Cape Breton. Under its Support to Business activities, ECBC's primary focus is assisting the creation and growth of SMEs by helping them to overcome barriers to growth, such as access to capital. The Corporation, through its flexible powers, is able to use a number of instruments, many of which are unique, to assist businesses on Cape Breton Island. Access to capital for businesses can take a number of forms including, secured, unsecured or interest-free loans, equity or grants.

89.2% (1-19) 3.4% (50-199)
6.7% (20-49) .7% (200+)

Statistics Canada Business Registry Data, 2002

- SMEs employ 6 out of 10 Canadians.
- Businesses in Canada with fewer than 50 employees created about two-thirds of jobs in 1998.
- Three-quarters of Canada's one million businesses employ fewer than five people.
- 97% of all businesses in Canada have fewer than 50 employees.
- Businesses with more than 50 employees make up less than 3% of Canada's business population.

Small Business Primer 2002
Canadian Federation of Independent Business

ACTIVITIES & ACCOMPLISHMENTS

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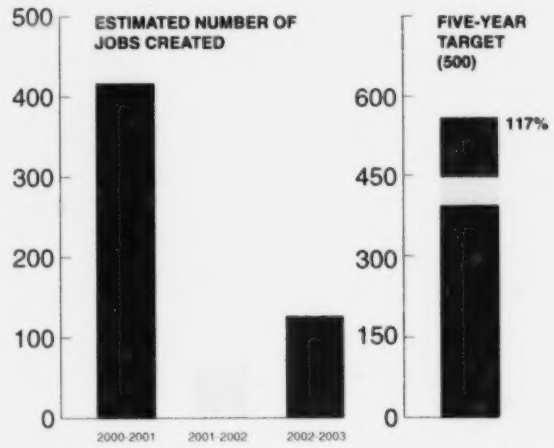
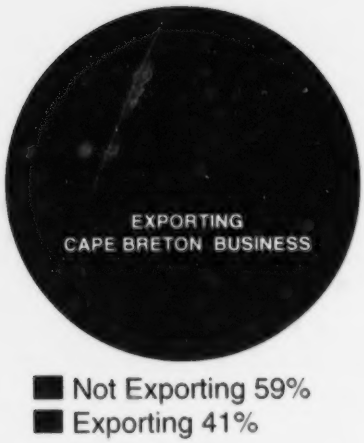
Small Business Primer 2002
Canadian Federation of Independent Business

Since 1999, the Corporation has contributed to the creation of 1,968 jobs. In 2000–2001, ECBC set a target to create 500 jobs over five years. The Corporation has, in fact, reached that target prematurely, creating 588 jobs by the end of fiscal 2002–2003. ECBC also exceeded its annual job creation target of 100 for 2002–2003, creating 117 jobs.

ECBC continues to exceed its annual and five-year targets for leveraged investment. In 2002–2003, ECBC revisited its five-year target, increasing it from $20 million to $35 million. In 2002–2003, the Corporation exceeded both annual and five-year targets. Since 2000–2001, the Corporation has leveraged approximately $52 million as a result of its Support to Business activities.

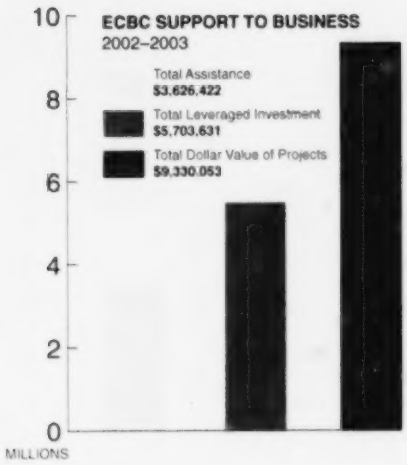
The Corporation works, on an ongoing basis, with companies that have an export focus. ECBC recognizes that, in order to generate real economic wealth and business development, Cape Breton Island businesses must be able to export their goods and services for sale outside of Cape Breton. Over the past three years, ECBC has consistently exceeded its annual target for new export sales. It has also prematurely exceeded its five-year target, achieving $140 million in new export sales over the last three years.





Annual Benchmark Sector Survey, Marketing Research Centre 2003

Forty-one percent of Cape Breton businesses reporting in 2003, indicated that they exported outside of Atlantic Canada (for the tourism sector, this translates to receiving tourists from outside of Cape Breton Island).



Measures	Targets Annual	Performance Against Targets			Targets 5-Year	% of Targets Achieved
		2000–2001	2001–2002	2002–2003		
Estimated Number of Jobs Created	100	111	55	117	500	117% ■
Dollar Value of Leveraged Funds	$7 M	$4.1 M*	$2.2 M*	$26 M*	$35 M	148% ■
Dollar Value of New Export Sales	$2 M	$55.2 M	$2.9 M	$81.1 M	$10 M	1,397% ■

● Stopped and/or has fallen short of target △ Not on target/experience some slippage ■ On schedule or exceeds target

** Based on total project cost*

During 2002–2003, under its Support to Business activities, ECBC assisted Scotsburn Co-operative Services Limited to expand its Sydney location to house a high-density polyethylene (HDPE) plastic bottle, blow-moulding facility. The 15,000 square-foot expansion will include both a manufacturing facility and a storage warehouse that will enable the plant to manufacture plastic containers in sizes from 250ml to 4-litres.

ECBC also assisted Genesis Offshore Canada Oilfield Services Inc. to begin construction of a processing, warehouse and distribution centre for drilling fluids in Mulgrave, Nova Scotia. The provision of drilling fluids and related technical engineering is a core service required by offshore exploration and development companies. Genesis International Inc. specializes in providing speciality chemicals and drilling fluids to the oil and gas industry in Canada and internationally.

L–R: Dairy farmer Jon MacIntosh, Port Morien; Mark Eyking, M.P.; N.S. Economic Development Minister, Cecil Clarke; Scotsburn President, James MacConnell; ECBC COO, Rick Beaton.

"Our customers have embraced the emergence of plastic milk containers," said Scotsburn President and CEO, James MacConnell. "Currently we transport plastic jugs into the Sydney plant for processing and distribution. The new blow-mould will allow Scotsburn to produce its own plastic containers, which will reduce costs, improve competitiveness and ensure the long-term viability of the Sydney plant."

L–R: Rick Beaton, COO, ECBC and Alan Pippard, President and CEO, Genesis Offshore Canada Oilfield Services Inc.

"Mulgrave has great potential as a service port and Genesis has the experience and the confidence to take advantage of the tremendous growth potential here for the offshore supply industry," said Alan Pippard, President and CEO of Genesis.

STRATEGIC ACTIVITY – SUPPORT TO COMMUNITIES

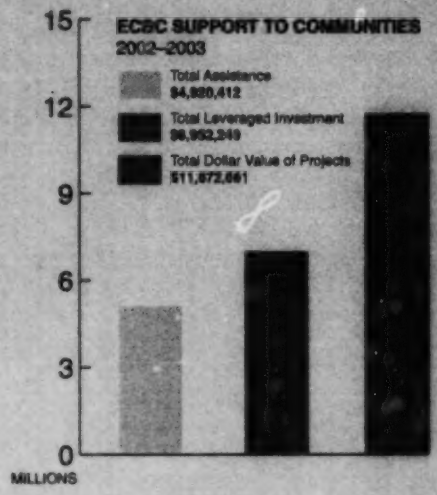
OBJECTIVE
To help communities plan and implement community development projects that have a direct link to long-term, self-sustaining economic activity.

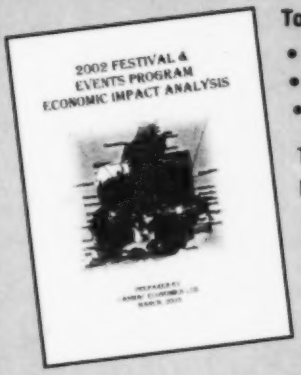
The driving force behind ECBC's Support to Communities is to encourage sustainable economic activity within communities.

The Corporation works closely with a number of community economic development organizations to achieve the specific goals identified and spearheaded by the communities. Activities range from developing and implementing overall strategies for economic development to supporting new business ventures, as well as the development of new and improved community infrastructure.

Under its Support to Communities activities, the Corporation ensures that appropriate infrastructure is in place to create an environment conducive to private sector/commercial investment. Over the past year, ECBC assisted the Strait of Canso Superport to conduct a major capital project at the Mulgrave Marine Terminal. The project provides the infrastructure necessary to serve the supply base needs of Nova Scotia's offshore oil and gas industry. ECBC also assisted in a number of community infrastructure projects including, a main street revitalization project for the village of Cheticamp, the re-development of the Sydney Marine Terminal, the expansion of the Glace Bay Miners' Museum and the establishment of an IT Learning Centre on the Membertou First Nation.

During 2002–2003, the Corporation also provided assistance for 42 festivals and events across Cape Breton Island. The festivals and events initiative is designed to build capacity and provide quality attractions that will enhance both the tourism and arts and culture sectors on the Island.





Total estimated economic impact of visitors

- $12.7 million in household income
- 400 person-years of employment
- $19.8 million in economic output as measured by GDP

The festival and events initiative generated $9.60 in incremental income per-dollar provided by ECBC.

Estimated incremental impact of visitors

- $2.0 million in household income
- 63.96 person-years of employment
- $3.2 million in GDP

Measures	Targets Annual	Performance Against Targets			Targets 5-Year	% of Targets Achieved
		2000–2001	2001–2002	2002–2003		
Estimated Number of Jobs Created	100	413	58	117	500	117% ■
Dollar Value of Leveraged Funds	$3 M	$43.1 M*	$2.9 M	$5.7 M	$35 M	148% ■
Dollar Value of New Export Sales	$2 M	$55.7 M	$2.9 M	$81.1 M	$10 M	1,397% ■

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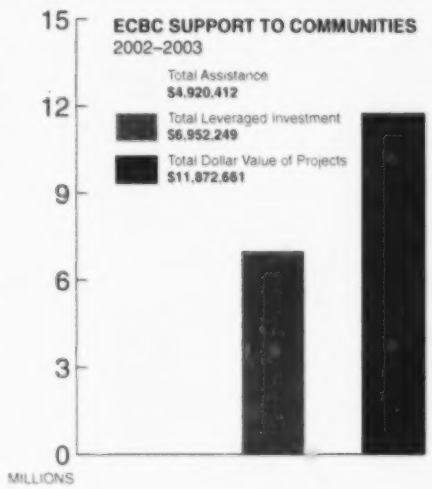

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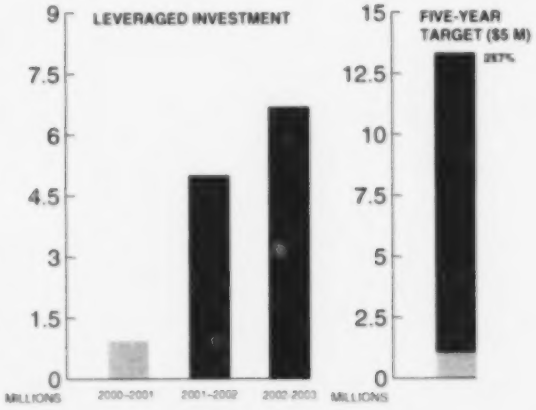
Celtic Colours, voted the top cultural event in Canada for 2001 by Attractions Canada and the top Canadian event for 2001 by the American Bus Association, drew attendance from 18 countries. In 2002, Celtic Colours was given the Crystal Award for Events and Conferences by the Tourism Industry Association of Nova Scotia. Visitors came from every province and territory of Canada and from 49 American states. The nine-day international festival continues to grow in scope and size each year.

L–R: Daniel Boudreau, Municipal Councillor; Régean AuCoin, President, Sidewalk Committee; Rodger Cuzner, M.P.; and Yvette AuCoin, President, La Société Saint-Pierre.



Main Street Revitalization in Chéticamp

"With an increasing number of tourists each season, there is a need to provide safe and easy access throughout the core business district," said Yvette AuCoin, President of La Société. "Improvements to the main street will not only enhance the overall experience for visitors, they will help make the main street a focal point for the entire community, benefiting visitors and locals alike."

In total, the Corporation leveraged $6.9 million in 2002-2003, under its Support to Communities activities, exceeding its annual target and prematurely achieving its five-year target.

Measure	Target Annual	Performance Against Target			Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003		
Dollar Value of Leveraged Funds	$1 M	$935,535	$5 M	$6.9 M	**$5 M**	257% ■

● Stopped and/or has fallen short of target ▲ Not on target/experience some slippage ■ On schedule or exceeds target

STRATEGIC ACTIVITY COMMUNITY ADJUSTMENT FUND

OBJECTIVE

To support quality infrastructure in order to facilitate the long-term, sustained growth of the affected communities.

On May 16, 2001, the Government of Canada announced that it had accepted the recommendation of the Devco Board of Directors to immediately begin an orderly closure of the Prince Mine. The recommendation followed unsuccessful attempts by Devco to conclude a sale of the mine. In response to the closure of the Prince Mine, the Government of Canada committed to an additional $28 million to bolster the Cape Breton Island economy.

Of the $28 million in new funding, $18 million was allocated to the CBGF to be invested in a number of identified priority sectors. The $10 million allocated to ECBC was invested in the most affected communities.

The Community Adjustment Fund (CAF) is targeted at those communities most negatively impacted by the closure of the Prince Mine, namely, Glace Bay, New Waterford, the Northside and surrounding areas. The intent of the Fund is to support quality infrastructure in order to facilitate the long-term sustainable growth of the affected communities. CAF projects fall within two general areas: strategic planning for future initiatives and the establishment/upgrade of infrastructure.

During 2002-2003, the CAF committed $8,519,546 in assistance to affected communities in Cape Breton. Funds were committed in each of the three communities and surrounding areas.

A particular focus of the CAF is downtown revitalization for each of the affected communities. The Corporation recognizes that making downtown districts viable is critical to the future of these communities. Building on a downtown's inherent assets is known to rekindle entrepreneurship and business development. The result is an improved investment climate, more sustainable communities and long-term economic benefits. The Corporation worked with each community to develop strategic plans for the downtown areas. Those plans are currently in various phases of implementation.

Glace Bay Downtown Revitalization

The Downtown Revitalization Project has been developed through a unique partnership approach to downtown development. In addition to participation from municipal, provincial and federal partners, the initiative has attracted the interest and participation of both private sector and community stakeholders.

L–R: Rodger Cuzner, M.P.; Gerry Byrne, Minister of State; Mark Eyking, M.P.

"The Government of Canada is pleased to offer its support to these important initiatives. These projects complement the other great community-based economic development work being done in Glace Bay. All these activities point to a community that is moving forward and searching for new opportunities," said Minister Byrne.

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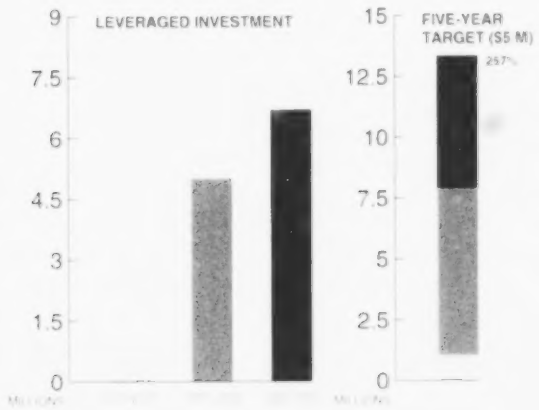

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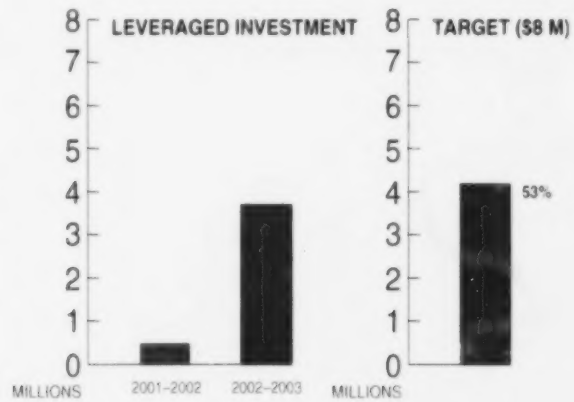
In New Waterford, it was recognized early on that there was a lack of infrastructure to attract business to the area. The Corporation worked with the community to develop a plan for business incubation. That plan is now being realized with the approval of a proposal to build a 40,000 square-foot incubation building. Construction is expected to start within the next few months. The community is also undergoing a downtown revitalization program.

After an extensive strategic planning process, a major downtown revitalization is underway in Glace Bay. In addition, the town has benefited from an upgrade to the local performing arts theatre as well as the establishment of a heritage museum in the community's former town hall.

The Northside Waterfront is undergoing a major redevelopment. The Waterfront is viewed as a key asset in the community and its enhancement is seen as crucial to the revitalization of the economy. Its proximity to the downtown core means that efforts to increase traffic is of direct benefit to the commercial district.

RESULTS TO DATE	
Total Fund	$10 million
Assistance Committed to Date	$9,962,942
Total Leveraged Investment	$4,265,845
Total Jobs Created	17
2001–2002	
Number of Projects	13
Assistance Committed	$1,443,396
Leveraged Investment	$532,260
Number of FTEs created	10
2002–2003	
Number of Projects	11
Assistance Committed	$8,519,546
Leveraged Investment	$3,733,585
Number of FTEs created	7

The CAF has leveraged $4.3 million, meeting 53% of its target to date. A number of the infrastructure projects identified in the communities, as part of the CAF, did not lend themselves well to participation by other agencies and the private sector. As a result, ECBC had to participate at a higher level financially, resulting in a lesser amount of leveraged investment than anticipated. It is expected, however, that some projects will leverage a higher level of investment as they progress. For example, the uptake by the business community of both the New Waterford and Sydney Mines downtown revitalization is resulting in a higher level of private investment than initially expected.



STRATEGIC ACTIVITY COMMUNITY ADJUSTMENT FUND

PROJECTS TO DATE

INFRASTRUCTURE INVESTMENTS

Northside

- New community centre for Bras d'Or
- Facility expansion for additional storage space in an assisted-living facility in North Sydney
- Phase III downtown revitalization project in Sydney Mines
- Construction of a Fossil Centre in Sydney Mines
- North Sydney Waterfront Development

Glace Bay

- Heritage museum
- Upgrade of the local performing arts theatre
- Upgrade of the community facility to improve delivery of services
- Downtown revitalization
- Upgrade of the community centre

New Waterford

- Placement of historical murals
- Phase I downtown revitalization project
- Incubation building

TRAINING INVESTMENTS

New Waterford

- Entrepreneurial training program

PLANNING/RESEARCH INVESTMENTS

Northside

- Feasibility study for the final stage of infrastructure development in Sydney Mines
- Completion of a business plan for the development of a fossil museum (2 projects)

New Waterford

- Development of a business plan/design for a new community centre
- Review of potential redevelopment of the Lingan Mine site
- Development Plan for the downtown core
- Feasibility study for the development of an incubator building and completion of a preliminary design plan and conceptual drawings (2 projects)
- Development of an alumni association marketing campaign to encourage increased visitation and investment for expatriates of the community.

Glace Bay

- Downtown revitalization strategy

Measure	Target	Performance Against Target		% of Target Achieved
		2001–2002	2002–2003	
Dollar Value of Leveraged Funds	$8 M	$532,260	$3.7 M	53% Δ

● Stopped and/or has fallen short of target Δ Not on target/experience some slippage ■ On schedule or exceeds target

STRATEGIC ACTIVITY

PROJECTS TO DATE

INFRASTRUCTURE INVESTMENTS

Northside

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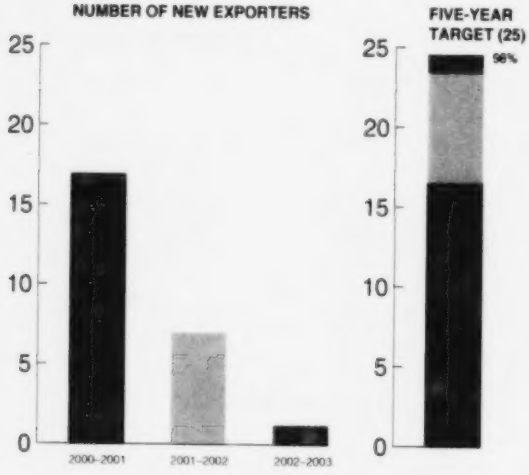
STRATEGIC ACTIVITY TRADE & INVESTMENT

OBJECTIVE

To increase the number of new exporters and increase export sales in current and growing markets and to attract new business investment to Cape Breton Island.

ECBC's focus on trade is aimed at ensuring that new and existing exporters are equipped with the necessary skills and ability to achieve successful market entry and sustained export activity. ECBC offers a variety of services to companies including export readiness training, market research and mentoring, as well as providing trade show/mission support. The objective of these services is to enhance the capabilities of businesses in establishing export markets and to expand their trade activity. A number of Cape Breton firms are now in a position to generate more wealth by expanding beyond their borders. This type of expansion will add greatly to the long-term economic health of Cape Breton.



TRADE SHOWS	
CAT Promotion	Boston
Softworld	PEI
Fish Expo and Workboat Atlantic	Rhode Island
NS Oil & Gas Conference & Trade Show	Halifax
Build Boston Trade Show	Boston
PLMA Trade Show	Chicago
Deep Offshore Technology Show	Louisiana
ACTS Trade Show	Halifax
Toronto International Gift Show	Toronto
Call Centre and CRM Solutions	Las Vegas
JC1-G11 Summit	Calgary
Americana Trade Show	Montreal
Boston Seafood Show	Boston
AFN-Nexus	Montreal
Aquaculture Canada 2002	Charlottetown
One of A Kind	Toronto

OPENING DOORS TO INTERNATIONAL MARKETS

During 2002–2003, ECBC directly assisted 49 companies, as well as various community stakeholders, with the means to participate in 16 international trade shows throughout Canada and the United States. These companies represented the following economic sectors: environment, food, craft and culture, oil and gas, information technology, building and consumer products.

In addition to ECBC-led trade shows and missions, trade staff also recruited Cape Breton Island companies to participate in Team Canada Atlantic trade missions. As well, they participated in trade shows supported by the Pan Atlantic International Business Development Agreement.

PROFILING CAPE BRETON COMPANIES FOR ALL THE WORLD TO SEE

Trade staff developed a directory of over 60 profiles of Cape Breton Island exporters. The booklets were translated into French, Spanish and German and were distributed to Canadian embassies and consulates around the world.

PREPARING COMPANIES FOR THE EXPORT MARKET

In 2002, ECBC organized five trade education opportunities. The Nova Scotia Community College (NSCC) delivered two rounds of the Fourm for International Trade Training sessions to the Waycobah and Membertou First Nations, which attracted over 30 companies. Two training seminars on trade shows were delivered by a well-known Canadian trade show consultant, Barry Siskind.

ECBC-Led Trade Missions/Shows

ECBC organized two information sessions on C-TPAT (Customs Trade Partnership Against Terrorism), a new program of US Customs. The sessions were held in Sydney and Port Hawkesbury and attracted over 45 participants.

A workshop on exhibitor design was presented to four people in the craft sector.

In addition to seminars and workshops, ECBC trade staff provided trade counselling and support to over 75 companies. The assistance included the development and review of marketing plans, research on trade shows and new markets, initiating contact with additional trade support networks, preliminary review of trade readiness and assistance with developing proposals for potential commercial projects.

In 2002–2003, ECBC trade staff were responsible for delivering ACOA's Atlantic Trade and Investment Program (ATIP). Through this program, staff initiated sector export strategies for the value-added wood products and craft sectors. Many of the ECBC training sessions were supported by ATIP. As well, a Trade Graduate Internship Program was developed with NSCC. Through ATIP assistance, four Cape Breton Island companies will be able to hire trade graduates for a one-year period.

Measures	Targets Annual	Performance Against Targets			Targets 5-Year	% of Targets Achieved
		2000–2001	2001–2002	2002–2003		
Number of New Exporters	5	16	7	1	25	96% ■
Number of Exporters that Increase Export Sales	10	10	4	6	50	40% △
Dollar Value of Contracts Resulting from Trade Activity	$2 M	$617,000	$4.7 M	$570,513	$10 M	58% △

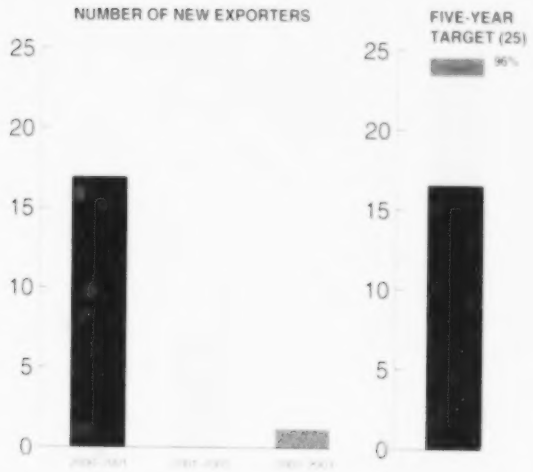
● Stopped and/or has fallen short of target △ Not on target/experience some slippage ■ On schedule or exceeds target

STRATEGIC ACTIVITY

OBJECTIVE

To increase the number of new exporters and increase export sales in current and growing markets and to attract new business investment to Cape Breton Island.

ECBC's focus on trade is aimed at ensuring that new and existing exporters are equipped with the necessary skills and ability to achieve successful market entry and sustained export activity. ECBC offers a variety of services to companies including export readiness training, market research and mentoring, as well as providing trade show/mission support. The objective of these services is to enhance the capabilities of businesses in establishing export markets and to expand their trade activity. A number of Cape Breton firms are now in a position to generate more wealth by expanding beyond their borders. This type of expansion will add greatly to the long-term economic health of Cape Breton.



TRADE SHOWS	
CAT Promotion	Boston
Softworld	PEI
Fish Expo and Workboat Atlantic	Rhode Island
NS Oil & Gas Conference & Trade Show	Halifax
Build Boston Trade Show	Boston
PLMA Trade Show	Chicago
Deep Offshore Technology Show	Louisiana
ACTS Trade Show	Halifax
Toronto International Gift Show	Toronto
Call Centre and CRM Solutions	Las Vegas
JC1-G11 Summit	Calgary
Americana Trade Show	Montreal
Boston Seafood Show	Boston
AFN-Nexus	Montreal
Aquaculture Canada 2002	Charlottetown
One of A Kind	Toronto

OPENING DOORS TO INTERNATIONAL MARKETS

During 2002–2003, ECBC directly assisted 49 companies, as well as various community stakeholders, with the means to participate in 16 international trade shows throughout Canada and the United States. These companies represented the following economic sectors: environment, food, craft and culture, oil and gas, information technology, building and consumer products.

In addition to ECBC-led trade shows and missions, trade staff also recruited Cape Breton Island companies to participate in Team Canada Atlantic trade missions. As well, they participated in trade shows supported by the Pan Atlantic International Business Development Agreement.

PROFILING CAPE BRETON COMPANIES FOR ALL THE WORLD TO SEE

Trade staff developed a directory of over 60 profiles of Cape Breton Island exporters. The booklets were translated into French, Spanish and German and were distributed to Canadian embassies and consulates around the world.

PREPARING COMPANIES FOR THE EXPORT MARKET

In 2002, ECBC organized five trade education opportunities. The Nova Scotia Community College (NSCC) delivered two rounds of the Fourm for International Trade Training sessions to the Waycobah and Membertou First Nations, which attracted over 30 companies. Two training seminars on trade shows were delivered by a well-known Canadian trade show consultant, Barry Siskind.

ECBC organized two information sessions on C-TPAT (Customs Trade Partnership Against Terrorism), a new program of US Customs. The sessions were held in Sydney and Port Hawkesbury and attracted over 45 participants.

ECBC-Led Trade Missions/Shows

A workshop on exhibitor design was presented to four people in the craft sector.

In addition to seminars and workshops, ECBC trade staff provided trade counselling and support to over 75 companies. The assistance included the development and review of marketing plans, research on trade shows and new markets, initiating contact with additional trade support networks, preliminary review of trade readiness and assistance with developing proposals for potential commercial projects.

In 2002-2003, ECBC trade staff were responsible for delivering ACOA's Atlantic Trade and Investment Program (ATIP). Through this program, staff initiated sector export strategies for the value-added wood products and craft sectors. Many of the ECBC training sessions were supported by ATIP. As well, a Trade Graduate Internship Program was developed with NSCC. Through ATIP assistance, four Cape Breton Island companies will be able to hire trade graduates for a one-year period.

Measures	Targets Annual	Performance Against Targets			Targets 5-Year	% of Targets Achieved
		2000-2001	2001-2002	2002-2003		
Number of New Exporters	5	16	7	1	25	96% ■
Number of Exporters that Increase Export Sales	10	10	4	6	50	40% △
Dollar Value of Contracts Resulting from Trade Activity	$2 M	$517,000	$4.7 M	$579,513	$10 M	58% △

● Stopped and/or has fallen short of target △ Not on target/experience some slippage ■ On schedule or exceeds target

The Corporation is currently at 96% of its five-year target for the number of new exporters. It has fallen short, however, with regard to its annual targets during 2002–2003. Geo-political tensions during the year and the slow economic recovery in the United States posed a number of challenges for companies wishing to sell products in the export market. Overall, Canadian companies experienced lower export sales in 2002, with exports down 1.0% from 2001 (Statistics Canada). Some Cape Breton companies reported that orders were down with United States buyers due to excess inventories carried over from the previous fiscal year.

For the most part, results from a number of export development activities will be realized over the longer term, as it takes time to develop trading relationships.

As stated in the 2003–2004 Corporate Plan, trade will no longer be a strategic priority for ECBC. Trade activities will now be carried out as part of the ACOA trade strategy, which is funded through the trade component of the Atlantic Investment Partnership (AIP). In fiscal 2002–2003, the trade component of the AIP became operational. This funding allocation provides for many of the trade mentoring activities currently carried out as part of the ECBC development programs. Therefore, rather than duplicate the efforts of ACOA, the trade function will be phased out.

INVESTMENT

Local enterprises have an important role to play in the generation of wealth through export. However, other complementary avenues, such as new business investment, can bring much needed economic benefits and skills to the area. This is particularly true in relation to the tele-service industry on Cape Breton Island. In 1999–2000, ECBC assisted the establishment of two major call centres, Ron Weber and Associates and EDS Sydney. One year later, the Corporation assisted with the establishment of EDS Port Hawkesbury and with the expansion of the existing centre in Sydney. To date, there are over 1,800 individuals employed at these centres. The tele-service industry has become an important economic driver for the Cape Breton economy. The results of a recently completed study on the socio-economic impact of the tele-service industry on the Cape Breton Island economy show that the total impact of all centres currently accounts for $83.0 million or 2.4% of Cape Breton's GDP.

The Corporation has set a five-year target for new investment on Cape Breton that includes annual targets. The Corporation captures new investment by identifying foreign direct investment from outside Canada, as well as off-Island investment from within Canada. A strong Canadian economy has been beneficial for Cape Breton in terms of attracting new investment to the Island from within Canada. During 2002–2003, the Corporation attracted $3.5 million in new investment for Cape Breton. However, the geo-political environment and the slow recovery of the US economy have presented a number of challenges for the Corporation in terms of attracting foreign investment to Cape Breton.

Measure	Target Annual	Performance Against Target			Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003		
Dollar Value of New Investments	$2 M				$10 M	457% ■
• Canadian Investment		$42.2 M	$ –	$3.5 M		
• Foreign Investment						

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Cape Breton 2002 International Business Summit

In October 2002, Cape Breton played host to an international business summit. Over 150 international, national and regional business leaders met in Baddeck, Nova Scotia, to discuss trade and investment opportunities in Cape Breton. Corporate representation included; telecommunications, energy, environmental industry, tourism/hospitality, manufacturing, venture capital and banking. The Summit highlighted the success of companies doing business in Cape Breton. It also showcased some of the contracts local firms have in the international community. Keynote speaker of the event was Terrence H. Matthews, a world-renowned international entrepreneur. Matthews is currently chairman and CEO of March Networks Corporation, a leading developer of interactive broadband IP application and delivery platforms.

October 9 – 11

CBS
CAPE BRETON INTERNATIONAL BUSINESS SUMMIT 2002

www.capebretonbusiness.com

STRATEGIC ACTIVITY ADVOCACY

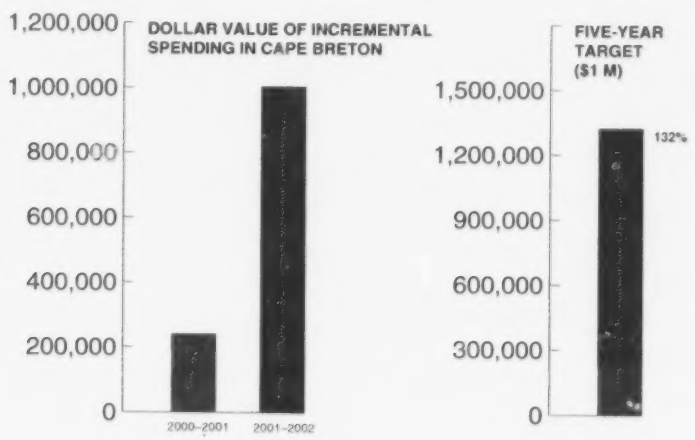
OBJECTIVE

To advocate for Cape Breton Island's interests, priorities and concerns in government decisions.

The advocacy activities at ECBC are aimed at increasing Cape Breton Island's presence at inter- and intra-governmental meetings. They are also meant to advance the interests, priorities and concerns of Cape Breton Island in government project selection, decisions and actions. The advocacy function ensures that the particular needs of this region are forefront in the minds of officials when looking at province-wide or region-wide programs.

The advocacy function also serves to encourage partnership and co-operation between and among federal and provincial government entities, as well as the private sector. The advocacy office is involved in the following committees and working groups:

- Federal Council and Federal Council Sub-Committees,
- Life Sciences Economy Initiative,
- Federal Economic Development Co-ordinating Committees & Deputy Ministers,
- Aboriginal Economic Development Advisory Committee,
- Sustainable Communities Initiative,
- ACOA Quality Standards Working Group,
- Labour Market Development Agreement,
- Canadian Heritage – Economic Development Advisory Committee (Cultural Spaces Program),
- Pan-Atlantic Procurement Team,
- "Marshall" Economic Advisory Committee,
- Federal Partners Immigration Working Group,
- Chair, Strengthening Communities Initiative (NS Innovation Team), and
- Federal/Provincial Transportation Committee.



During 2002–2003, the advocacy office worked on a number of issues.

Procurement

The advocacy office sought to increase awareness of potential Government of Canada contracts for Cape Breton suppliers to ensure online access to the MERX procurement system.

The office also arranged a procurement information session for ECBC officers.

Investment

The advocacy office was instrumental in arranging a number of site-locator sessions, as well as investment prospecting sessions with the Italian Consulate.

In partnership with Industry Canada, the office presented a 3.5-day investment course in Sydney, Nova Scotia.

Intergovernmental Relations

Significant progress has been made with respect to identifying and forging opportunities for partnerships, collaboration and information exchange with other government departments. Efforts in this respect have been precipitated by the demise of the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification. This will continue to be a challenge and an opportunity for fiscal year 2003-2004.

Innovation

Substantial contributions have been made vis-à-vis the Nova Scotia Innovation Team and the Nova Scotia Innovation Team Working Group. The Director of Advocacy chairs the Strengthening Communities initiative and will soon present a work plan to the Nova Scotia Innovation team.

The advocacy office has also been successful with respect to securing Cape Breton representation, both private and public sector, on all sub-groups of the Nova Scotia team.

Collaboration

The advocacy office arranged a joint management committee meeting between ECBC and ACOA (Mainland-NS). As a direct result, the advocacy office is currently finalizing a "go-forward" strategy for implementation by both offices as it pertains to ongoing collaboration on common issues.

Partnerships

The advocacy office has identified several opportunities for strategic partnerships perceived as integral to the promotion and advancement of key Cape Breton initiatives. Recent partnerships have been arranged with Industry Canada regarding Technology Partnerships Canada, broadband, as well as mutually beneficial policy development opportunities. With respect to the provincial government's Office of Economic Development, recent partnerships in innovation and community economic development have been formed.

Targets

The Corporation has exceeded its five-year target for incremental resource commitments, achieving an amount of $1,320,000 within two years. During 2002–2003, the annual target was not realized due to the fact that it was originally based on the incremental funding associated with the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification. In 2002–2003, this funding mechanism expired. As a result, the target was re-evaluated during the 2003–2004 corporate planning process.

Measure	Target Annual	Performance Against Target			Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003		
Dollar Value of Incremental Resource Commitments	$200,000	$250,000	$1.07 M	$ -	$1 M	132% ■

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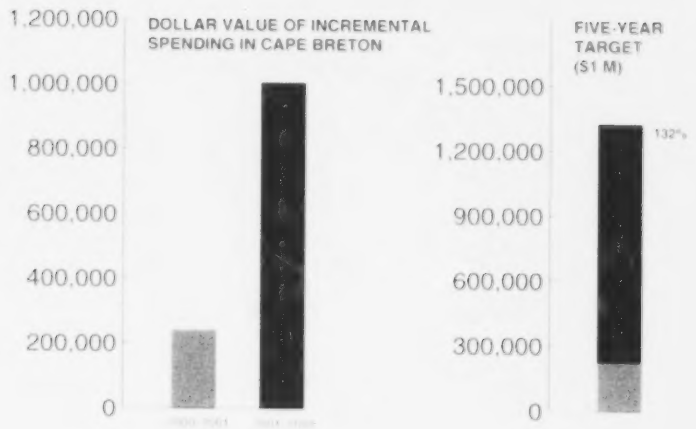

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STRATEGIC ACTIVITY POLICY & RESEARCH

OBJECTIVE

To help provide a sound basis for the Corporation's policy, priorities and programs.

ECBC's policy and research activities are formulated on the basis of input from economic development stakeholders. The activities are also based on findings and knowledge from an accumulation of completed research and consultations. ECBC maintains a forward-looking research plan that encourages the participation of outside interests on working groups and reflects and supports:

- emerging local economic issues,
- structural challenges and opportunities,
- sector specific considerations,
- federal policies,
- ECBC's program and development initiatives, and
- the need for ongoing performance management and evaluation.

During 2002–2003, the ECBC policy unit carried out nine research studies.

Socio-economic Impact Analysis of the Tele-service Industry on Cape Breton Island

The tele-service sector has had a profound impact on the Island's economy. This study was commissioned to determine the extent to which growth in this industry has affected the Island. This study also contains a GDP estimate for Cape Breton Island based on both an expenditure and income approach.

Tele-service Labour Force Review Within the Cape Breton Regional Municipality

A study was conducted in 2000, to determine how much labour capacity was available for growth in the tele-service sector in the Cape Breton Regional Municipality. Since that time, the sector has grown significantly. This study was updated in 2002. It determined how much capacity was left in the labour force for more industry expansion given the rapid growth that took place between 1999 and 2002.

Benchmark Sector Study 2003

This study rigorously tracks the progress of key sectors on Cape Breton Island. A sample of businesses in each sector is surveyed in the first quarter of each year. The survey determines the number of firms, number of employees, number of entries/exits from the sector, approximate sales, expenditures on research and development, modes of transportation for product distribution, number of firms exporting, approximate export sales and percentage of total sales from exporting. The study is conducted on an annual basis, making it possible to determine trends in the sectors.

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Cape Breton Island Transportation Services and Infrastructure Market Analysis

Distance from large markets is often cited as a challenge facing economic growth in Cape Breton. Proper transportation infrastructure is essential in order for producers in all sectors to access these markets. This study examines the various modes of transportation, road, rail, water and air, to determine whether they properly meet the needs of companies wishing to transport their goods.

Agricultural Exports and Value-added Study

The agriculture sector has been a staple in the Cape Breton economy for many years. This study was commissioned to examine ways to expand upon and improve the value-added processing of primary agricultural goods, as well as the export of those goods. Further value-added processing of the primary goods can increase employment and employment capacities on the Island as new goods are produced.

Market Outlook for Ground Calcium Carbonate from Cape Breton Island

ECBC recognizes that mineral resources are a strength on Cape Breton Island. As such, it commissioned a study to assess the marketability of the calcium carbonate deposits found on the Island. Calcium carbonate is used as a mineral filler for a number of different products ranging from paper, to paint, to carpet backing.

A Trails for Tourism Strategy for Cape Breton

The tourism sector on Cape Breton contributes a great deal to the economy. Its growth is key to a sustainable economy. This study was commissioned in order to create a strategy for developing trails on the Island, so as to improve the overall tourism product.

2002 Festival and Events Program Economic Impact Analysis

During 2002–2003, ECBC launched its festival and events initiative designed to build capacity and provide quality attractions that will enhance both the tourism and arts and culture sectors on the Island. In February 2003, the Corporation commissioned an economic impact analysis of the initiative, to assist the Corporation with decisions regarding future funding.

Cape Breton Island Image Study

In an effort to create a good climate for investment, the region must promote a positive image. In 2002–2003, ECBC commissioned a Cape Breton Island Image study. The study examined the image of Cape Breton from both on-Island and off-Island perspectives. It identified the most significant issues to be addressed and provided recommendations for addressing these issues.

During 2002–2003, the ECBC policy unit worked, on an ongoing basis, with Statistics Canada to maintain current economic data relevant to the Corporation's activities. This included updating databases already kept by the unit, as well as acquiring new databases offered by Statistics Canada.

Each year, the policy unit leads the corporate planning process in the development of a five-year corporate and strategic plan. The Corporate Plan is the primary vehicle for ECBC to communicate with the Government of Canada about its proposed activities, performance targets and budgets for the next five years.

The policy unit is responsible for ongoing monitoring of the performance management system. This is to ensure consistency with the Corporate Plan and to ensure that the appropriate information is captured. As part of the performance monitoring function, the unit prepares quarterly reports for the Board of Directors and Senior Management. This report provides an account of the organization's achievements and the performance objectives as outlined in the performance management framework.

Measure	Target Annual	Performance Against Target			Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003		
Research Studies that Help Provide a Sound Basis for the Corporation's Policies, Priorities and Programs	8	8	8	9	40	63% ■

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PROVISION OF SERVICES FOR THE GOVERNMENT OF CANADA

OBJECTIVE

To deliver programs and services for the Government of Canada, including ACOA, in an effort to increase the opportunity for economic development on Cape Breton Island and, specifically, to enhance the growth of earned incomes and employment opportunities in the region.

ECBC delivers these programs and services on behalf of ACOA.

BUSINESS DEVELOPMENT PROGRAM (BDP): This program is designed to help small and medium-sized enterprises (SMEs). It helps SMEs establish, expand and modernize by offering access to capital in the form of interest-free, unsecured loans. These loans are either provisionally repayable or non-repayable. The BDP also provides support to non-profit organizations that provide services to Atlantic Canada businesses.

CONSULTANT ADVISORY SERVICES (CAS): The CAS program provides business clients with access to consulting expertise to pursue business opportunities or solve problems.

INFRASTRUCTURE CANADA: This program (a six-year partnership agreement signed by the federal and provincial governments) is intended to accelerate economic recovery. This is achieved by creating short- and long-term employment through investment in local communities, while renewing and enhancing the physical infrastructure.

COMMUNITY FUTURES PROGRAM: This program supports autonomous, not-for-profit Community Business Development Corporations (CBDCs). CBDCs help entrepreneurs in rural areas access the information, advice and capital required to succeed.

ATLANTIC INVESTMENT PARTNERSHIP (AIP): The AIP is a $700-million initiative that makes investments in four major areas: innovation, community economic development, trade and investment, and entrepreneurship and skills development.

THE CAPE BRETON GROWTH FUND CORPORATION (CBGF)

The CBGF was incorporated in August 2000. It has its own Board of Directors and is required to report separately to Parliament through its Corporate Plan and Annual Report. In November 2000, ECBC entered into a Memorandum of Understanding with the CBGF to provide administrative and operational support. ECBC assigned staff to support the Board of Directors and operations of the CBGF.

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HUMAN RESOURCE

"At ECBC, we are taking root in the new economy that is growing on Cape Breton Island. This would not be possible without a dedicated and knowledgeable staff." *Rick Beaton*

ECBC fulfills its mandate with a staff of 59, who work primarily from its corporate headquarters in Sydney and from a satellite office in Port Hawkesbury, NS. The organization is fairly young, with an average staff age of 43 years. The relative youth of the organization is also evident in the management team, with an average age of 49 years. A full 69% of staff are 45 years of age or younger, and more than half of the Corporation's employees (52%) fall within the 36-45 year-old range.

ECBC employees have diverse educational backgrounds. Additionally, many have considerable experience in the private sector. Almost 15% of the staff hold professional designations and another 10% hold Master degrees. Over 6% of the staff have French as their first language and 13.5% are bilingual in English and French. The vast majority of the staff is from Cape Breton Island and Mulgrave.

The Corporation is fully aware that in order to offer top-notch programs and services, it must have a top-notch staff. Knowing this, the Corporation has placed increased emphasis on recruitment, workplace well-being and learning, in order to ensure that its staff is among the finest.

There have been some very significant changes in the Corporation over the last three years with the departure of a number of employees through retirements and interchange assignments, as well as the addition of 23 new hires within the organization. The majority of these new hires have been in the area of commercial programs. These employees, including seven chartered accountants, have strong credentials in business consulting, counselling and accounting. New positions have also been created in communications, internal audit, corporate services, policy and research, community economic development and support.

ECBC offers a working atmosphere that is inviting while, at the same time very professional. The Corporation offers an attractive pay and benefits package. A compensation structure has been adopted that ensures market comparability with a number of private and public sector organizations. ECBC encourages teamwork, advancement and commitment to continued skill development.

During 2002–2003, the Corporation completed a comprehensive review of its job classification system. The purpose of this review is to ensure that salary levels reflect the job duties and responsibilities of each position within the Corporation.

At ECBC, employees are a part of the success of the organization. As such, innovative ideas and suggestions are always welcome by the Corporation. ECBC understands the importance of happy and healthy employees. As a result, the Corporation offers an employee assistance program. ECBC also accommodates a flexible work schedule, where possible. Through the co-operation of other Government of Canada entities in the area, employees have preferential access to quality fitness facilities.

ECBC is committed to continuously expanding the knowledge of its staff. This is demonstrated by the extent to which it has encouraged staff to pursue higher education. Over the last three years, ECBC has provided approximately $166,667 for education and training. In that time period, eight staff members have completed university degrees, while another six have obtained graduate certificates or diplomas. Other employees have opted for shorter courses and workshops.

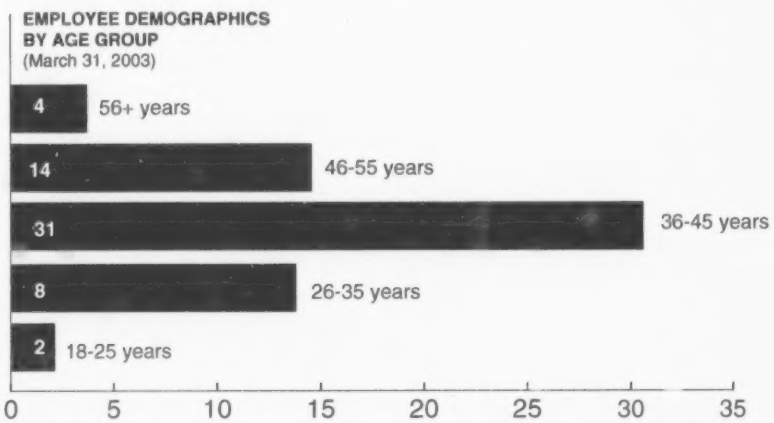
During 2001–2002, the Corporation canvassed staff to determine the level of interest in pursuing additional French language training. Ten staff members expressed an interest in language development and were assessed for their linguistic aptitude. During 2002–2003, two employees enrolled in French immersion programs and one employee completed a refresher program.

Performance planning and evaluation are integral to successful human resource management. Knowing this, the Corporation recently updated its performance planning and evaluation system, placing increased responsibility for human resource planning on unit managers. Every employee is encouraged to identify at least one training opportunity to be completed in the course of the fiscal year.

ECBC's human resource development initiatives address both the current and long-term needs of the organization. The Board of Directors has recently adopted a management succession plan. Through a combination of recruitment, work place well-being and training, it provides for an orderly transition of key responsibilities within the organization as current staff move on or retire.

The Corporation's attention to human resource development bodes well for the future of the organization and its ability to provide a consistently high standard of service to the public.

Average age	
All staff	43
Senior management	49
Years of service	
Less than 10 years	42
10 years +	17
Total staff complement	59



CORPORATE SOCIAL RESPONSIBILITY

INVESTING IN YOUTH & EDUCATION

The economy of Cape Breton Island is making a transition from a dependence on the resource sector to a broader economic base with an emphasis on knowledge and service. The Corporation has always believed that the youth of the Island have a key role to play in the economic future of the area and that educational opportunities are essential if the economy is to keep pace with global trends.

In the area of opportunities for youth, ECBC continues to provide annual scholarships to high school graduates in the mandate area. In 2002, ECBC provided 13 students with scholarships totalling $8,400. The scholarships are provided to students who demonstrate academic excellence and will assist them in their post-secondary educational pursuits.

In 2002–2003, ECBC, through the various programs it delivers, invested more than $3.8 million in post-secondary educational infrastructure through support to the University College of Cape Breton (UCCB) and NSCC. Highlights included the establishment of business centres and the acquisition of a navigational simulator at the NSCC, as well as major campus enhancements at UCCB to boost ongoing research and development activities.

The Corporation also provides support to students through summer employment opportunities. In 2002–2003, six summer students were hired with backgrounds in business, science and arts. By participating in Mount Saint Vincent University's Co-Op Education Program, ECBC provided on-the-job training and mentoring for a Bachelor of Public Relations student. Efforts have also been made to provide skills training opportunities for mentally challenged individuals, through participation in the Crossroads Transitional Employment Program.

PROTECTING THE ENVIRONMENT

Cape Breton Island has been rated one of the most scenic islands in the world by Condé Nast Magazine. This is due, in no small measure, to the Island's pristine natural environment. In pursuing its economic development mandate, ECBC is keenly aware of the need to balance growth with environmental impact. A stronger economy must be environmentally sustainable if it is to provide opportunity and prosperity for future generations.

In its routine project evaluations, ECBC examines environmental risks. Although not subject to the *Canadian Environmental Assessment Act*, ECBC voluntarily follows the process prescribed by the Act in order to ensure the protection of the environment. Through the services of Public Works and Government Services Canada, all projects are assessed for environmental impacts. If required, mitigation measures are identified and become part of the terms and conditions of the contract between ECBC and the client.

Internally, the Corporation encourages environmentally friendly practices. There is a recycling program and technology in place that enables employees to use less paper. ECBC continues to examine the possibility of alternative-fuel vehicles, but limited fuel supply on some areas of the Island has prevented their adoption.

HUMAN RIGHTS

ECBC employees are entitled to work in an environment free from intimidation, hostility or offensiveness. The Corporation is committed to creating and maintaining a work and business environment that is free from harassment and discrimination on prohibited grounds such as age, race, colour, religion, creed, sex, nationality, ethnic or place of origin, citizenship, language, political belief, marital or family status, sexual orientation and disability. ECBC's policies on human resource matters are regularly reviewed to ensure that ECBC remains an employer of choice on Cape Breton Island

With specific regard to workplace harassment, the Corporation has an official harassment policy. Non-management employees who have received harassment training are available to deal with employee complaints.

ETHICAL BUSINESS PRACTICES

Employees and representatives of ECBC have a duty to act in the best interest of the Corporation at all times. A conflict of interest arises when an employee must choose between ECBC's best interests and his/her own. The judgment of ECBC employees and representatives must be, and must be seen to be, free of any personal interests that arise from business dealings, social ties or other considerations.

ECBC has a Code of Conduct that requires employees and representatives of ECBC to adhere to the highest standards of conduct with respect to conflicts of interest. Compliance with these standards is achieved through avoidance, disclosure, discontinuance or divestment.

Because of the nature of their work, employees must also respect the privacy rights of corporate clients, including their right to security of information. ECBC preserves confidential information in its possession and uses such information for specified corporate purposes only.

OFFICIAL LANGUAGES ACT (OLA)

ECBC works to ensure compliance with the *Official Languages Act* (OLA), both in its operations and in its outreach activities. The Corporation has developed a close working relationship with minority language communities on Cape Breton Island and a designated development officer works closely with francophone community groups and businesses. In 2002–2003, many efforts were focused on preparations for the up-coming Acadian World Congress to be held in Nova Scotia in 2004. A tourism officer responsible for co-ordinating activities has been hired, with ECBC assistance, to ensure the maximum benefit for the Island from this event.

The Corporation participated in a number of projects to improve economic development infrastructure in francophone communities. This has included an incubation centre for francophone e-business, a marine centre and a main street development program.

As a Crown corporation, ECBC is not obliged to participate in the co-ordination activities of the Department of Canadian Heritage pursuant to section 42 of the Act. However, given the Corporation's economic development mandate and its relevance to the vitality of the minority language communities, the Corporation collaborates with Canadian Heritage on the implementation of section 41. ECBC also participates in a province-wide committee for the promotion of official languages, organized through the Nova Scotia Federal Council. ECBC has appointed an official languages champion, who liaises with the Treasury Board and other Crown corporations for the promotion of official languages, both within the Corporation and within its mandate area.

GIVING BACK TO OUR COMMUNITY

ECBC staff raise funds for various charities throughout the year. Through their generosity, in terms of both money and time, ECBC contributes positively to the local community. The Corporation fully supports volunteerism and supports staff who choose to participate in such activities.

Big Brothers Big Sisters

Each year ECBC participates in the annual Big Brothers Big Sisters Bowl for Kids' Sake. This year staff raised over $700.

Run for the Cure

This is the first year that ECBC has participated in the Run for the Cure campaign. Approximately 20% of staff took part in the Run raising over $1,200.

United Way Campaign

ECBC has been involved in the United Way Campaign for many years. The Corporation has been recognized as a gold stamp contributor. Through payroll deduction and individual contributions, ECBC raised approximately $4,000 for the pledge year 2002–2003.

Every Woman's Centre Society

Throughout the year, ECBC has held casual day each Friday. The monies collected go to needy families in the Cape Breton Regional Municipality at Christmas. This year, ECBC raised over $1,000 through casual day contributions.

Christmas Daddies Campaign

Christmas Daddies is a Maritime fundraiser held each December to support under privileged children. This year, an in-house head-shaving contest was held and over $600 was raised.

Daffodil Day for Cancer Research

In support of cancer research, each year ECBC staff contribute to the Daffodil Day for Cancer Research Campaign. This year staff raised over $200.

PROFILE OF EMPLOYEE

ECBC employees are encouraged to be involved in their communities. Not surprisingly, many of them are community volunteers with various organizations. Their hard work and commitment to volunteering in the community, is a testament to their determination and drive. This is part of what makes them some of the best employees in the business.

ECBC EMPLOYEE [redacted] is the head coach of Ski Ben Eoin's BEST ski team, which is made up of 15 members ranging in age from 12-18 years old. Kevin is a nationally certified, level II coach and has been coaching since 1990. During the ski season, Kevin spends, on average, 18-20 hours per week coaching. His hard work as head coach has paid off, as he recently received Coach of the Year honours for the 2002–2003 ski season.

Kevin received this honour, on the heels of the club hosting the Atlantic Canadian Championships in February 2003. The event required a lot of time for organizing, in addition to time making sure that his skiers were ready to compete in the event.

"Coaching is a big commitment, but it is also very rewarding," says Kevin. "I enjoy being part of the team and at the same time, giving something back to my community."

COMMUNICATION & GOVERNMENT ON-LINE

COMMUNICATION

The Corporation maintains a very high profile on Cape Breton Island due to the importance of economic development and ECBC's broad range of activities in support of communities and businesses. As a delivery agent for a number of Government of Canada programs in support of economic development, the Corporation is involved in almost every sector of the local economy. Due to ECBC's advocacy role, as well as its policy and research activities, officials are regularly called upon for comment and analysis of current economic conditions. The Corporation is mentioned by local media on an almost daily basis. As such, the Government of Canada receives a relatively high level of visibility in ECBC's mandate area.

Economic conditions on Cape Breton Island are improving. ECBC, as part of its effort to attract additional investment to the Island, is attempting to communicate this renewed sense of optimism to a larger regional and national audience. Through activities such as the Cape Breton International Business Summit held in October 2002, business outreach events organized in Halifax and Ottawa, as well as targeted advertising activities, ECBC is working with local partners to promote Cape Breton Island as an excellent business location. In co-operation with the CBGF, new investment promotion materials have been developed and local business people have been recruited to provide testimonials as to the success of their Cape Breton operations.

In 2002-2003, the Corporation, either alone or in partnership, issued a total of 66 news releases on a diverse range of topics ranging from investments in economic development infrastructure, to support for both small and large private sector businesses. ECBC representatives organized and attended 30 special events across the Island and in Mulgrave. A total of 67 ads were placed in newspapers and magazines throughout the year. While the majority of these notices and advertisements were featured in local publications, the Corporation also ran ads promoting the benefits of doing business on Cape Breton Island in selected regional and national publications.

GOVERNMENT ON-LINE

Government On-Line (GOL) is the Government of Canada's plan to deliver programs, services and information over the Internet. It is an effort to better connect government to citizens and provide information and services online, when and where the client needs them.

The initiative is a multi-year project ending in 2005. It will provide citizens with the ability to interact with government, to receive information, programs and services and to do business electronically with the Government of Canada in the language of their choice.

ECBC has established a GOL working group that is collaborating with the Industry Canada Regional Development Agency (RDA) GOL Committee to develop a standard approach for organizations involved in regional development activities.

The ECBC GOL working group participated with the RDA/GOL group on a number of initiatives including, analysis and documenting the common service delivery mode, common progress reporting formats and methods for acquiring baseline and progress counts of clients and services, as well as the evaluation of pilot online multi-media applications called E-tools. ECBC also participated with ACOA in performing a client survey to determine client use of existing Web sites and future online service requirements. Results indicate that while clients want increased access to online services and tools, they do not want them to replace personal access and contact.

A pilot E-tool project to present information for potential exporters was also developed. The E-tools project used text, graphics and streaming video to present information from the Team Canada Guide for Exporters.

Security consultants were contracted in 2002-2003, to conduct an external vulnerability security assessment of the ECBC local area network. The assessment is one of the ongoing security-monitoring measures employed to help ensure that existing information-sharing and future interactive client services provided on the corporate Web site, do not compromise the security of ECBC systems and data.

The initial phase of a new corporate system, which will integrate well with future client access online, was implemented in 2002-2003. Additional work is scheduled for 2003-2004, which will contribute to meeting the Government of Canada's target of December 31, 2005 for providing client services online.

Through partnership with the RDA group and ACOA, the Corporation has so far kept costs at a level that can be accommodated through normal operational and capital budgets.

CORPORATE GOVERNANCE

This year marked a turning point in the development of ECBC's new corporate governance framework. After spending much of the previous year developing new systems and frameworks, the Board of Directors concentrated on implementation and measurement of those systems and frameworks.

The 2002–2003 fiscal year began with an unprecedented meeting of the Board of Directors in Ottawa. The opportunity was used to present the new corporate governance framework to senior officials from the Treasury Board, the newly created Office of Infrastructure and Crown Corporations Canada, the Department of Justice, the Privy Council Office, and the Office of the Auditor General of Canada.

Facilitated by the Conference Board of Canada's David Brown, the objective of the meeting was to provide representatives of the shareholder, as embodied by the central agencies of the government, with detailed information on the governance structures in place for ECBC. The desired outcome is that the shareholder, armed with this information, will have an increased level of confidence in ECBC and its ability to live its mandate and mission. As well, the meeting provided an opportunity for the various stakeholders to provide their insights on the new corporate governance framework before it was fully implemented.

Feedback from those who participated in the meeting was very positive. All found the meeting to be informative and expressed their gratitude to the Board of Directors for having the courage to hold this unprecedented type of meeting.

Following this meeting, the Board met for the first time with the Minister of State responsible for ECBC. The meeting was informal and provided the directors with an opportunity to discuss issues of relevance to ECBC with the Minister of State. Both parties thought the meeting was useful and intend to meet at least twice a year.

Throughout 2002–2003, the Board was busy continuing its work on corporate governance issues. The Board contracted the services of the Conference Board of Canada to perform a follow-up survey to its 2001 benchmarking exercise to evaluate ECBC's progress in the area of corporate governance.

BOARD GOVERNANCE CAPABILITY AREA	ECBC's 2002 rating*	ECBC's 2000 rating	PEER Benchmark
ECBC's Board exhibits the most strength of these 5 capabilities:			
☐ ability to conduct business ethically and professionally	4.50/5	4.11/5	4.26
☐ ability to articulate right roles and responsibilities	4.33/5	3.36/5	3.87
☐ ability of board to function effectively and make decisions wisely	4.27/5	3.82/5	4.04
☐ ability to collect information with integrity	4.15/5	3.77/5	4.02
☐ ability to effectively report: transparency, clarity and accountability	4.05/5	3.20/5	3.91
ECBC's Board rates moderately well in these 5 capabilities:			
[ ] ability to establish a clear sense of purpose and direction	3.93/5	3.23/5	3.88
[ ] ability to oversee management and control of resources	3.92/5	3.16/5	3.96
[ ] ability to excel in human resource development	3.92/5	2.89/5	3.29
[ ] ability to promote innovation	3.92/5	3.48/5	3.61
[ ] ability to effectively measure performance	3.85/5	3.52/5	3.62
ECBC's Board would benefit from improvements in these 2 capabilities:			
☐ ability to accomplish strategic objectives and mission	3.75/5	3.27/5	3.82
☐ ability to ensure best mix of Board members	3.65/5	2.63/5	3.47
ECBC's overall Board rating	80.4%**	67.4%	76.3%

ECBC's overall Board rating went from 67.4% in 2000 to 80.4% in 2002. The Conference Board of Canada, in its report to the Board, stated:

"There have been significant improvements since the baseline measures were taken in 2000. One would expect improvement... but, the extent of ECBC's improvement is dramatic, from one of the lower ratings to one of the higher ones overall."

As the results of the exercise indicate, there are areas for improvement—there always should be as corporate governance is a fluid concept—and the results from the benchmarking exercise are used by the Board to strategically determine in what areas its attention will be directed.

For example, in an attempt to better ensure the "best mix of Board members," the Board forwarded its skills profile —developed by the Board to identify the mix of skills and backgrounds that would be helpful to ECBC—to the Minister of State responsible for ECBC as well as to senior officials of the Privy Council Office. The skills profile should assist the Minister of State and the Governor in Council immediately, as the terms of two Board members that are not eligible for renewal have expired and one Board member resigned in late February.

* On a scale of 0 (not at all) to 5 (outstanding), this is the average of all responses from Board/Senior Management members.
** The 12 capability ratings aggregated and reported on a percentage scale.

The Board adopted policies with respect to the acquisition and disposal of capital assets to assist officials in determining how to account for these items. This policy was adopted in order to assist the Board in its role of overseeing "management and control of resources."

In an effort to increase the Board's ability to "effectively measure performance," in the case of the Chair specifically, a new performance framework for the Chair was developed and adopted by the Board. Similar to the accountability accord the Chief Operating Officer enters into with the Board at the beginning of each fiscal year, the Chair, for the first time, provided the Board with a list of key activities and objectives based on his roles and responsibilities, as defined by the Responsibility Mandate adopted as part of the new corporate governance framework, and ECBC's Corporate Plan. Each activity and objective has a measurable, thus providing the Board with an accountability structure against which to measure, from both a qualitative and quantitative perspective.

ATTENDANCE CHART

In all the Board met eight times over the fiscal year.

MEMBERS	BOARD	AUDIT COMMITTEE
Gregory MacKenzie	6	3
Curdis Karrel	8	3
Spyro Trifos*	6	
Betty Ann Aucoin	7	
Ferne MacLennan	8	
Rick Beaton	8	3
Dennis Wallace	7	

* *resigned February 28, 2003*

The Chair then brought this exercise to an unprecedented level. In order to provide the Board with a mechanism to bring their input and views to the attention of the Clerk of the Privy Council, the Chair incorporated the framework approved by the Board in his performance letter to the Clerk. This letter outlines his performance commitments with respect to ACOA and, for the first time, incorporated ECBC as well. By taking this step, the Chair has ensured that the Board has a voice that is real and meaningful in the performance appraisal process.

In addition to the financial management policies mentioned above, the Board reviewed and approved policies in the areas of training for Board members, assistance to marinas, travel expenses for ECBC staff, charitable donations and a new scholarship program.

The ECBC Board of Directors has one committee, the Audit Committee. It is chaired by Greg MacKenzie and includes Curdis Karrel and Rick Beaton. The Committee is assisted by the Internal Auditor and Director General, Corporate Services. The Office of the Auditor General of Canada also participates in many of the Committee's meetings.

This year, the Audit Committee met three times. In addition to conducting its usual business of reviewing the financial statements, recommending approval of loan impairments, forgiveness and write-offs, this year the Committee developed a standard agenda for quarterly meetings. The standard agenda was developed to focus the work of the Audit Committee on various areas or matters on an annual basis.

This year, the Audit Committee focused on the areas of: reporting to the shareholder (e.g. reviewing the deadlines and timelines for the submission of the corporate plan, budgets, budget updates and annual report); regulatory or legal requirements (e.g. reviewing ECBC's compliance with the *Official Languages Act* and Canada Labour Code); reviewing any management letters from the Office of the Auditor General; reviewing quarterly financial statements and budget updates; reviewing the progress of the Internal Audit Unit against its annual work plan; overseeing a review of detailed expenditure reports (e.g. hospitality, travel, capital, training, salaries, professional services and other administrative items); reviewing the status of the loan portfolio; reviewing internal controls; and commenting on the annual audit report received from the Office of the Auditor General.

In order to assist the Audit Committee to function more independently, this fiscal year saw the introduction of time being allotted at each meeting of the Audit Committee for the outside directors to meet with themselves and, if present, the Office of the Auditor General without any members of the management team being present.

SELF ASSESSMENT

The following pages contain a self-assessment of ECBC's corporate governance practices against the Guidelines for Corporate Governance in Crown Corporation's produced by the Department of Finance and the Treasury Board of Canada. The Guidelines are just that, guidelines, and are not intended to be blindly followed, but to be tailored to meet the specific context and corporate governance needs of each Crown corporation. Management's comments, analysis and rationale behind the assessment of each of the guidelines are also described.

BOARD RESPONSIBILITIES	COMMENTS	STATUS
1. The Board of Directors of every Crown corporation should explicitly assume responsibility for the stewardship of the Corporation.		■
a. Approve the strategic direction and Corporate Plan.	• This year, the new planning process developed as part of the new corporate governance framework was implemented. The Board's involvement was heightened through the following: Fall 2002 – Community/stakeholder consultations were held throughout Cape Breton with at least one member of the Board attending each of them, Fall 2002 – The Board met to discuss with management the priorities and overall direction of ECBC, January 2003 – Management met with each Board member individually to review the proposed strategic direction and Corporate Plan, and January 2003 – The Board approved the Corporate Plan and Budgets.	
b. Identify principal risks and ensure adequate management systems have been implemented.	• A system of risk at the project level has been in place for a number of years. • The Board has taken responsibility for managing risk at a corporate level primarily by approving policies providing management with guidance on the nature of projects and assistance that can be approved without having to seek the Board's approval. • Management provides regular reports to the Board on the status of the loan/equity portfolio as well as progress against performance targets. • In 2002–2003 the Board approved seven policies dealing with administrative and program matters.	
c. Approve management's succession plan.	• Management introduced a succession plan, which was approved by the Board in 2001–2002. • Management provided the Board with information on the training needs identified for all staff and commenced implementation of the training plan during 2002–2003.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

d.	Ensure that the information systems and management practices have integrity and meet the needs of the Board.	• Through the 2002-2003 benchmarking exercise, the Board rated ECBC's ability to collect information with integrity as 4.15 out of 5 an improvement from the 2000–2001 rating of 3.77. • Management continues to solicit informal feedback from the Board on its thoughts on the quantity and quality of information provided. • The Audit Committee has a mandate approved by the Board and this year established an annual agenda that outlines the various areas that it will review during the year. As part of this the system of internal controls at ECBC is monitored.	
	PUBLIC POLICY OBJECTIVES	**COMMENTS**	**STATUS**
2.	The Board of Directors of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance.		■
a.	Document the current public policy objectives of the Corporation.	• The Board met twice with the Minister of State to discuss the direction and objectives of ECBC. • The Board reviewed the mandate and mission statement of ECBC as part of the corporate planning process. • The new corporate planning process was implemented this year with the Board participating in the community/stakeholder consultations, which included a review of the relevance of ECBC's objectives and priorities.	
b.	Appreciate the contemporary trade-offs between competing public policy and commercial objectives of the Corporation.	• ECBC is dependent upon its Parliamentary appropriation as its primary source of funds. • ECBC has a clear public policy objective, i.e. economic development. • Commercial initiatives are generally operated on a cost-neutral basis in support of the mandate.	
c.	Assess the relevance of the Crown corporation's mandate and, if appropriate, propose changes for the consideration of the appropriate minister.	• As part of the corporate planning process, the relevance of the mandate, mission and priorities are reviewed. • It is ECBC's view that it is the role and decision of the shareholder to perform or request a formal, in-depth review of the legislative mandate.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

COMMUNICATION	COMMENTS	STATUS
3. The Board of Directors of every Crown corporation should ensure that the corporation communicates effectively with the Crown, other stakeholders and the public.		
a. Communication Responsibilities (Shareholder and stakeholder).	• This year, the Board met twice with the Minister of State to discuss the affairs of ECBC. • The Board participated in community/stakeholder consultations as part of the corporate planning process. • The Chair and COO have the primary responsibility for communicating with the shareholder on behalf of the Board. • The COO has the primary responsibility for communication with stakeholders.	
b. Reporting Responsibilities.	• ECBC's performance measurement framework continues to be refined. • The primary vehicles for reporting are the Annual Report and the Corporate Plan. • Through the 2002–2003 benchmarking exercise, the Board rated ECBC's ability to effectively report, on the basis of transparency, clarity and accountability, 4.05 out of 5. A significant improvement over the 2000–2001 rating of 3.20 and better than the Crown corporation average of 3.91. • The Board continues to focus on assisting management with improving the annual report.	

BOARD AND MANAGEMENT RELATIONS	COMMENTS	STATUS
4. Boards of Directors and management should develop an effective working relationship.		
a. Allocating Responsibilities.	• The Board believes that it has an effective ability to articulate roles and responsibilities (4.33 out of 5). This rating was improved over the 2000–2001 rating of 3.36 and significantly higher than the average for Crown corporations of 3.87. • Last year, the Conference Board of Canada assisted ECBC in developing responsibility mandates for the Board, Chair, COO, Audit Committee, and management. These mandates form the cornerstone of ECBC's governance structure. • The mandates clearly assign responsibility for consulting, developing, verifying, reviewing, recommending and approval of various matters.	

b.	Building a Relationship.	• In 2002–2003, the Board gave its ability to function effectively with management a 4.27 out of 5. This was higher than the 2000–2001 rating of 3.82 and slightly higher than the Crown corporation average of 4.04.
c.	Establishing Accountability.	• The Board has implemented accountability accords and performance measurement systems with the Chair and COO, which are reviewed annually. This was the first year that such an accord was in place for the Chair.
		• The Board has delegated project approval authority to Management for projects under $1 million that are within the normal bounds of risk and policy.

BOARD INDEPENDENCE	COMMENTS	STATUS
		■
5. The Board of Directors should ensure that the Board can function independently.		
a. The roles of the Chair (Guidelines suggest that the roles of the Chair and CEO should be separate).	• Pursuant to the *ECBC Act*, the Chair is the CEO and it is a part-time position. This is a clear reflection of the intention of the shareholder.	
	• ECBC complies with the spirit of the guideline as the COO performs the duties and responsibilities typical of CEOs in other Crown corporations in addition to having day-to-day operational control.	
b. Meeting as Board.	• The Board meets in-camera as required.	
c. Public Servants as Directors.	• Five of the seven directors are not public servants.	
	• The COO is a Governor-in-Council appointee, who is currently a public servant, but the position does not have to be filled by a public servant.	
	• Under the *ECBC Act*, the Chair is the President of the ACOA, thus a public servant.	
d. The Use of Committees.	• The Board has only one committee, the Audit Committee.	
	• Two of the three voting members of the Audit Committee, including the Chair of the Committee, are outside directors.	
	• Given the relative size of the Board, seven voting members, it has chosen not to create additional committees.	
e. Independent Advice.	• The Board has adopted, through its by-laws, a procedure whereby directors may avail themselves of independent advice.	
f. Conflicts of Interest.	• The Board, through its by-laws, has adopted a code of conduct, which outlines the procedure for declaring conflicts of interest in compliance with the *Financial Administration Act* and the applicable portions of the Conflict of Interest and Post-Employment Code for Public Office Holders.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

THE POSITION OF THE CEO	COMMENTS	STATUS
6. In recognition of the importance of the position of the CEO, the Board of Directors of every Crown corporation should periodically assess the CEO's position and evaluate the CEO's performance.	Under ECBC's governance model and in accordance with the *ECBC Act*, the CEO is a part-time position held by the President of ACOA. The COO has managerial responsibility to the Board for the operations of ECBC.	■
a. Assessing the CEO's Position (Guidelines suggest that the Minister should consult with the Board on the appointment of the CEO).	• The President of ACOA serves as the ex-officio Chair and CEO of ECBC, in accordance with the *ECBC Act*. • The Board has no involvement in the appointment of the Chair and CEO in light of this model. • The COO acts as the CEO under ECBC's governance model.	
b. Evaluating Performance.	• The Board and Chair developed an annual accountability accord this year. This performance measurement framework for the Chair has been incorporated into the Chair's framework with the Clerk of the Privy Council Office. Thus, the Board's views on the Chair's performance are required before the Clerk can finalize his assessment of the Chair's performance. • The Board has an annual accountability accord in place with the COO, the results of which are communicated to the Chair, Minister and the Clerk of the Privy Council Office. • The Board's views on the performance of the COO and Chair are communicated to the Minister and the Privy Council Office.	

RENEWAL OF THE BOARD	COMMENTS	STATUS
7. The Board of Directors of every Crown corporation should assess its effectiveness and initiate renewal of the Board.		■
a. Assessing the Board.	• In 2000–2001, the Board participated in a benchmarking exercise of corporate governance practices with the Conference Board of Canada. • As planned, the Board worked with the Conference Board of Canada to once again benchmark its corporate governance practices during 2002–2003. • The results showed dramatic improvement with an overall rating of 80.4% compared with the 2000–2001 rating of 67.4% and the Crown corporation average of 76.3%. • They will use the results of the exercise to strategically concentrate on particular areas over the coming year. • The greatest challenge for the coming year will be the orientation and education of three new directors as well as a new Chair and CEO. • Accordingly, the governance focus is likely to be on continuing the current practices with an emphasis on training for the new Board members.	

b. Renewal of the Board.	• The Board's views on appointments are communicated to the Minister of State. • The Board has adopted a skills profile, which has been sent to the Privy Council Office and the Minister of State. • Management engages the Board as soon as practicable to ascertain the Board's views on potential candidates, which skills they think are critical for a new candidate to have, as well as their views on the renewal of existing members.	

EDUCATION OF DIRECTORS	COMMENTS	STATUS
8. Directors of Crown corporations should receive orientation and education appropriate to their needs.		■
a. New Directors.	• ECBC has developed an orientation package and program for new directors.	
b. Ongoing Education.	• The Board adopted a policy on training that entitles them to at least one corporate governance conference or seminar a year. • Each year at least one member of the Board has attended some form of training session on either economic or governance issues.	

COMPENSATION	COMMENT	STATUS
9. The Board of Directors should review the adequacy and form of compensation for directors.	• When requested, the Board reviews compensation and provides its views to the Minister of State and the Privy Council Office.	■

RESPONSIBILITY FOR CORPORATE GOVERNANCE	COMMENTS	STATUS
10. The Board of Directors should assume responsibility for developing the Crown corporation's approach to governance issues.	• The Board developed the new governance framework for ECBC with the assistance of the Conference Board of Canada. • The Board has met with various stakeholders to review its approach to corporate governance. • The Board participated in a benchmarking exercise to review and compare its corporate governance practices with those of other Crown corporations. • Corporate governance is a regular topic of discussion at Board meetings.	■

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

MANAGEMENT DISCUSSION AND ANALYSIS

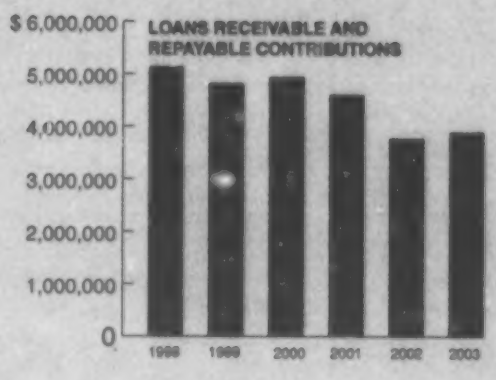
LOANS

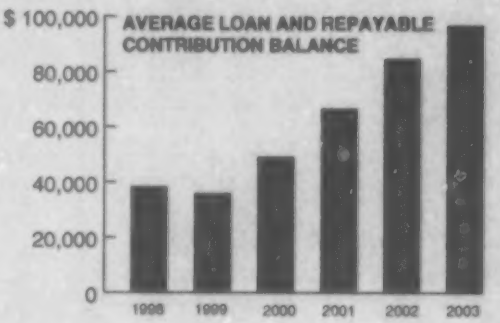
Several types of loan instruments are used by the Corporation including forgivable loans, interest bearing loans, non-interest bearing loans and conditionally repayable contributions.

The amount of forgiveness and all conditionally repayable contributions are charged to operations when the loan is issued. If terms and conditions of the loan contract are not fulfilled, the forgiveness or conditionally repayable amounts are reversed and the balance becomes receivable.

The Corporation has focused on providing a mix of investment vehicles to clients including loans, grants and conditionally repayable contributions in order to achieve the appropriate balance required by clients to grow and expand their business yet maximize the return on capital to the Corporation. By increasing the loan portfolio, all payments collected can again be loaned to clients in subsequent years.

During the year, the Corporation disbursed $1.3 million in loans to clients, in addition to grants and contributions under the various programs administered by ECBC. The total loans and repayable contributions outstanding at March 31, 2003 are $3,995,666 and consisted of 41 accounts. The average loan and repayable contribution balance is $97,455 in 2003, an increase from $39,893 in 1998. There has been a planned shift to lending funds if it meets the needs of the client. In addition, $604,373 (2002; $585,064) was collected during the year, which represents 25% of the previous year's closing net balance.





	1998	1999	2000	2001	2002	2003
Forgivable Loans	$ 9,748	$ 283,036	$ 282,938	$ 52,065	$ (374,111)	$ -
Loans Collected	142,263	434,277	388,609	351,829	585,064	604,373
Loans Disbursed	1,280,256	371,116	820,142	229,668	806,077	1,330,099
Conditionally Repayable Contributions	-	-	3.1 M	9.0 M	3.7 M	1.7 M

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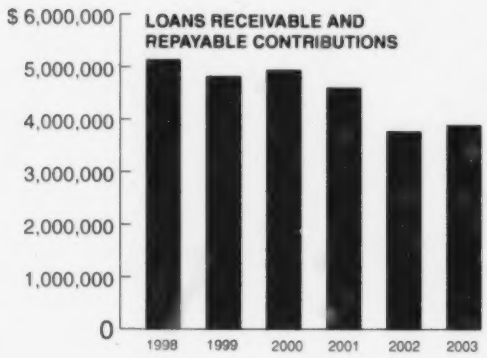

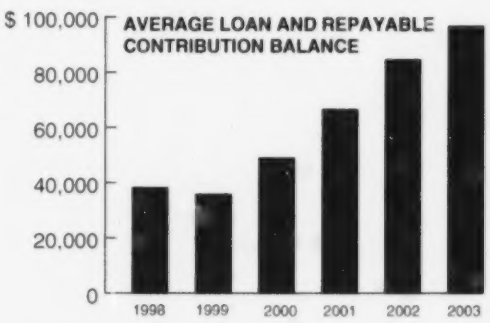

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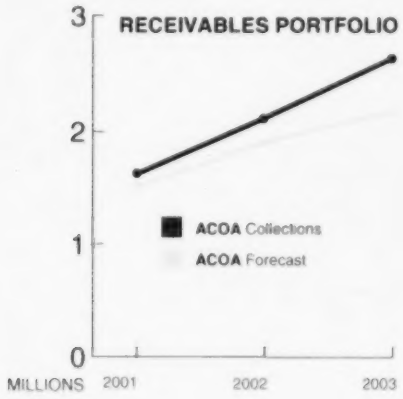
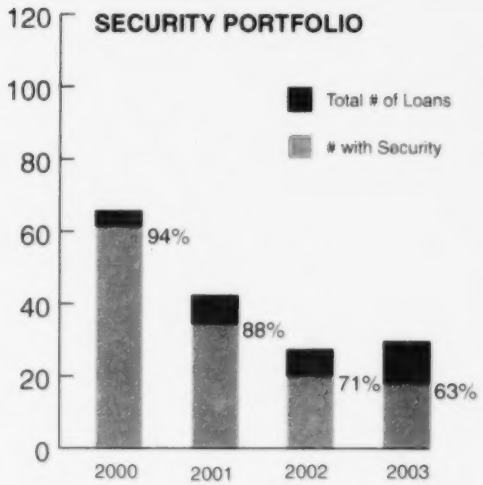
As part of the due diligence process conducted by program officers, the Corporation mitigates the risk of loss by obtaining security from the majority of clients. The Corporation holds security on 63% (2002; 71%) of the loans outstanding at March 31, 2003. Security is obtained to protect the Corporation in the event of loan default. Security includes any one or a combination of the following: 1st and 2nd position mortgages on land and buildings; chattel mortgages; personal and corporate guarantees; general security agreements; first and floating debentures or promissory notes.

Collections on the ACOA portfolio managed by ECBC for the 2002–2003 fiscal year totalled $2,574,000 (2002; $2,049,000), which is 114% of the established target amount.

The Corporation has not only met ACOA's collection targets for the past three years, it has exceeded the target as displayed in the accompanying chart.

The collection efforts of the Corporation have also resulted in the arrears rate of ACOA receivables being 0% (2002; 2%) in 2003. The results have been achieved due to concerted efforts of both collection staff and program officers.

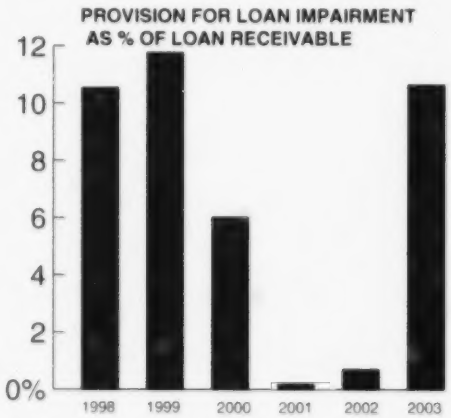




PROVISION FOR LOAN IMPAIRMENT

The provision for loan impairment as a percentage of the loan balance outstanding ranges from .5 to 11.9% over the past six years. The current year provision is 10.6% of the loans outstanding.

The allowance for loan impairment has been determined on an individual loan basis based on current information at year end and management's knowledge of the entity's circumstances. If it is felt that the collection may not be received on a timely basis, a provision for loan impairment is recorded in the financial statements.



EQUITY INVESTMENTS

The Corporation invested an additional $500,000 in preferred shares in one client in 2002–2003, bringing the total number of equity investments to six. During the year, an equity investment outstanding at March 31, 2002, of $100,000 was repaid to the Corporation.

The Corporation has recorded an allowance for valuation adjustment of $217,687 in the current year to reduce the carrying value of the investments to the amount estimated using discounted expected future cash flows, in accordance with the Corporation's accounting policy.

INVESTMENT IN SUBSIDIARY

The Corporation has recorded the investment of $1 in the Cape Breton Growth Fund Corporation (CBGF) on the cost basis as the Governor in Council has instructed the CBGF to act as a parent. Therefore, control or significant influence does not exist and consolidated financial statements are not prepared.

CAPITAL ASSETS

Capital assets increased by $849,630 (consistent with Corporate Plan amount of $850,000) as a result of planned acquisitions of equipment, as well as properties in the technology sector. The property acquisitions and renovations undertaken enable the Corporation to provide accommodations and services for growing, developing businesses throughout the mandate area.

In conjunction with the planned capital program, the Corporation held an auction in the fall of 2002 and sold equipment from the various corporate-owned facilities, no longer required for use by the Corporation, and recovered in excess of $100,000.

As well, the property formerly known in the community as the Soundstage, was sold for proceeds of $535,000 by way of an interest-bearing mortgage issued by the Corporation. Repayments and interest collected will be reinvested in ECBC programs in future years.

ACOA

The Corporation administered $16,034,141 (2002; $15,732,920) of various ACOA programs during 2002–2003 and recovered $2.8 million (2002; $2.0 million) for salaries, professional fees and other operating costs related to delivering services pursuant to the ECBC/ACOA MOU.

OPERATING AND DEVELOPMENT ACTIVITIES

ECBC's total parliamentary appropriation was $35.017 million in 2002–2003 including $23 million directed to the subsidiary, Cape Breton Growth Fund Corporation.

Development expenses incurred totalled $8.7 million compared with the Corporate Plan budget of $10.4 million. The Corporation provided $2.9 million in direct support to business and $5 million in support to communities. In addition, other areas of focus included in the Corporate Plan such as trade and investment, policy and advocacy, totalled $600,000.

(000's)	ACTUAL	CORPORATE PLAN
	2002–2003	2002–2003
Support to business	$ 2,937	$ 4,278
Support to communities	5,081	5,375
Trade & Investment	264	400
Policy & research	345	350
Image	28	
	$ 8,655	$ 10,403

In addition to the above-noted non-repayable assistance, the Corporation provided loans to businesses totalling $1.3 million and equity investments of $.5 million in 2003, which is not reflected in the above expenditures as the loans and investments are repayable. Therefore, it is felt the Corporation did indeed achieve its mandate as planned.

The Corporation will continue to focus on the above noted development areas in the 2003–2004 fiscal year, in addition to the delivery of the Community Adjustment Fund programming.

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PROGRAM SUPPORT

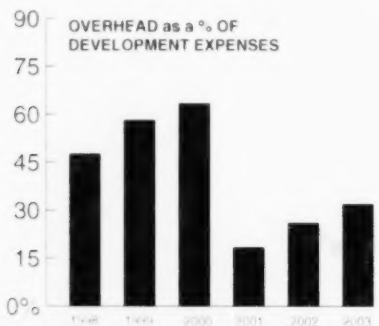
The Corporation employs 59 individuals delivering programs, administering payments, collections, trade and development work and various other functions. These individuals are located in offices in both Sydney and Port Hawkesbury to ensure that access to our programs and services is available locally to all clients of our mandate area.

Staff deliver ECBC, ACOA and CBGF programming. In order to better capture time spent in each area, the Corporation developed, tested and implemented an electronic time-keeping system during the year. All employees enter their time electronically categorized to ECBC, ACOA and CBGF on a daily basis. The new system will assist in providing a reasonably accurate reflection of time spent and costs recoverable for the program areas.

The actual administrative costs are reasonable in relation to budget and the prior year as detailed below.

($000's)	ACTUAL	ACTUAL	CORPORATE PLAN
	2001–2002	2002–2003	2002–2003
General administration	$ 1,267	$ 1,423	$ 1,300
Program support	1,183	1,288	1,350
	$ 2,450	$ 2,711	$ 2,650

As displayed in the graph, the percentage of overhead (administrative and program support) to development expenses has decreased significantly over the past three years and is 31.3% for 2002–2003.



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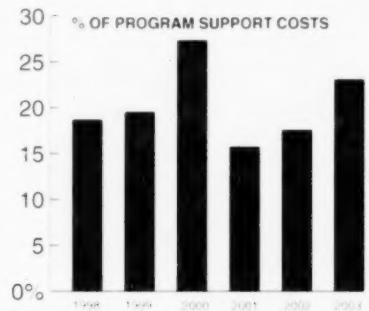
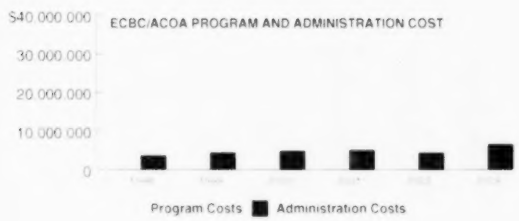
The combined ECBC/ACOA program support costs are 22.6% of the total programs delivered for ECBC and ACOA, which is reasonable in relation to the rates for the previous five years and as displayed in the graph.





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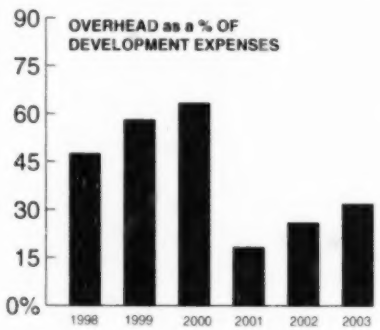

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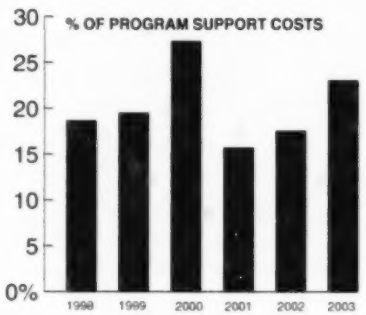

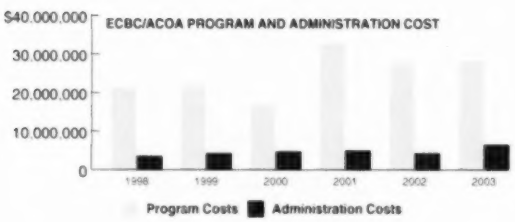

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities. Management is also responsible for ensuring assets are safeguarded, proper records are maintained to produce timely, reliable financial statements and overseeing a comprehensive internal audit program. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation has an Internal Audit unit, whose functions include reviewing internal controls and their application on an ongoing basis.

The Audit Committee of the Board of Directors has periodic meetings with management, the independent auditors and the internal auditor to discuss the financial reporting process as well as accounting and reporting issues. The financial statements are reviewed and approved by the Board of Directors upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express her opinion thereon. The independent auditor has full and unrestricted access to the Audit Committee to discuss her audit and related findings.

Rick Beaton
Vice-President and
Chief Operating Officer

Frances L. Marenick, CA
Acting Director General, Corporate Services

Sydney, Nova Scotia
May 16, 2003

AUDITOR'S REPORT

To the Minister for the purposes of the *Atlantic Canada Opportunities Agency Act*

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 2003 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.

John O'Brien, CA
Principal
for the Auditor General of Canada

Halifax, Canada
May 16, 2003

BALANCE SHEET

as at March 31, 2003

ASSETS

	2003	2002
Current assets		
Cash	$ 4,473,523	$ 5,209,181
Accounts receivable, net (note 3)	8,572,135	5,672,475
Prepaid expenses	59,794	54,257
	13,105,452	10,935,913
Loans, net (note 4)	3,205,429	2,465,004
Investments, net (note 5)	482,313	300,000
Investment in subsidiary (note 6)	1	1
Capital assets, net (note 7)	1,305,731	627,647
	$ 18,098,926	$ 14,328,565

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities (note 8)	$ 12,178,146	$ 9,068,953
Accrued employee severance benefits	465,100	405,261
	12,643,246	9,474,214

EQUITY

Equity of Canada	5,455,680	4,854,351
	$ 18,098,926	$ 14,328,565

Commitments (note 10)

See accompanying notes to the financial statements

Approved by the Board of Directors:

Director

Director

STATEMENT OF OPERATIONS AND EQUITY

for the year ended March 31, 2003

	2003	2002
Program expenses		
Development expenses (note 9)	$ 8,655,209	$ 10,100,929
Contribution to the Cape Breton Growth Fund Corporation (note 6)	23,000,000	25,000,000
Other program expenses (note 9)	1,482,145	1,324,850
Provision for loan impairment and investment valuation (notes 4 and 5)	643,396	33,041
	33,780,750	36,458,820
Other expenses		
Administrative expenses	1,423,351	1,267,019
Amortization	266,140	122,684
Harmonized sales tax rebate	-	(710,471)
	1,689,491	679,232
Total expenses	35,470,241	37,138,052
Revenue		
Rental facilities	110,355	64,624
Interest, investments and other	292,148	402,105
Gain on disposal of capital assets (note 4)	652,067	-
	1,054,570	466,729
Activities on behalf of the Atlantic Canada Opportunities Agency (note 11)		
Program expenses	16,034,141	15,732,920
Salaries, professional and other	2,863,656	2,081,027
	18,897,797	17,813,947
Less: Costs recovered from ACOA	(18,897,797)	(17,813,947)
Net cost of operations before parliamentary appropriation	34,415,671	36,671,323
Parliamentary appropriation	35,017,000	37,608,000
Net income	601,329	936,677
Equity, beginning of year	4,854,351	3,917,674
Equity, end of year	$ 5,455,680	$ 4,854,351

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

for the year ended March 31, 2003

	2003	2002
Cash flows from (used for) operating activities		
Parliamentary appropriation received	$ 34,308,000	$ 35,806,000
Cash received from ACOA	16,401,359	17,018,904
Cash received from Harmonized sales tax rebate	-	710,471
Cash received from the Cape Breton Growth Fund Corporation for services performed	1,013,955	710,011
Cash received from investments and bank account	629,001	425,979
Cash received from rental activities and other parties	115,062	122,608
Payments made for program and administrative expenditures	(34,781,470)	(36,463,897)
Payments made on behalf of ACOA	(15,572,892)	(18,436,935)
Payments made on behalf of the Cape Breton Growth Fund Corporation	(935,766)	(758,097)
Payments made for severance benefits	(54,618)	(38,244)
	1,122,631	(903,200)
Cash flows from (used for) investing activities		
Loan repayments	604,373	585,064
Loan disbursements	(1,330,099)	(806,077)
Equity investment repayment	100,000	-
Purchase of equity investment	(500,000)	(200,000)
Purchase of capital assets	(849,630)	(359,982)
Proceeds on disposal of capital assets	117,067	-
	(1,858,289)	(780,995)
Net decrease in cash	(735,658)	(1,684,195)
Cash, beginning of year	5,209,181	6,893,376
Cash, end of year	$ 4,473,523	$ 5,209,181

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

1. THE CORPORATION

Authority and objectives

Enterprise Cape Breton Corporation was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act*, Atlantic Canada, 1987) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

The Corporation has entered into a memorandum of understanding with the Atlantic Canada Opportunities Agency establishing the arrangements for the Corporation to deliver the Agency's programs on the Island of Cape Breton.

On August 25, 2000, the Cape Breton Growth Fund Corporation (Growth Fund) was incorporated under the *Canada Business Corporations Act* as a wholly owned subsidiary of Enterprise Cape Breton Corporation. The Growth Fund was created to administer federal and provincial funding designed to assist in the adjustment of the local economy as a result of the Government of Canada's decision to close or privatize its coal mines in Cape Breton. The Governor in Council has directed the Growth Fund to act as a parent Crown corporation for the purposes of Part X of the *Financial Administration Act*. The Growth Fund has the same mandate as the Corporation. The Governor in Council has also directed that after the Growth Fund's funding is fully committed, the remaining assets and liabilities are to be transferred to the Corporation and the Growth Fund will be dissolved.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Parliamentary appropriations

Parliamentary appropriations are recorded as funding in the statement of operations and equity in the year approved. The drawdowns against these appropriations are based upon cash requirements.

b) Loans

Loans are recorded at the lower of cost and estimated net realizable value. Loans initially granted at a zero percent interest rate are recorded at the nominal amount of the loan.

Certain loans are subject to terms of forgiveness or are conditionally repayable as stipulated in the loan contract. The amount of forgiveness and all amounts conditionally repayable are charged to operations when the loan is issued. If terms and conditions are not fulfilled, the forgiveness or conditional repayable amounts are reversed and the balance becomes due and receivable by the Corporation.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is unlikely.

c) Allowance for loan impairment

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and where applicable, interest. A specific allowance is established on an individual loan basis, to reduce the recorded value of the loan to its estimated net realizable value if there is doubt as to the timely collection on a particular loan. Impaired loans are measured according to their estimated realizable amounts by discounting expected future cash flows at the effective interest rate inherent in the loans. For loans granted with a zero percent interest rate, impairment is calculated based on the expected future cash flows using the zero percent rate associated with the loan. This reflects a zero cost of capital for these loans because they are funded by appropriations provided by the Government of Canada. When future cash flows cannot be estimated with reasonable reliability, the estimated realizable amounts are measured at the fair value of any security underlying the loans, net of any expected costs of realization.

Initial and subsequent changes in the amount of impairment are recorded as a charge or credit to the allowance for loan impairment.

d) Interest income

Interest income is recorded on the accrual basis. When a loan becomes impaired, interest income ceases to be recognized. Recognition of interest income recommences when the specific allowance for loan impairment is reversed.

e) Investments

The Corporation has invested in preferred equity holdings. These are recorded at the lower of cost and estimated net realizable value. Estimated net realizable value is measured by discounting expected future cash flows. The discount rate used is based on the Consolidated Revenue Fund lending rate to Crown corporations. Investment income is recorded on an accrual basis. The Corporation records an allowance for doubtful investments for the amount by which the value of the investment has been impaired and an allowance for valuation adjustment to reflect the lower of fair value or carrying value.

f) Investment in subsidiary

The Corporation accounts for its investment in the Cape Breton Growth Fund Corporation on a cost basis because the Governor in Council has instructed the Growth Fund to act as a parent Crown corporation for the purposes of Part X of the *Financial Administration Act*. Therefore, the Corporation does not control or have significant influence over the Growth Fund.

g) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 20 years
Equipment and furniture	5 years
Computer equipment and software	2 to 3 years
Leasehold improvements	up to 20 years
Vehicles	5 years

h) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

i) Severance benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned. There are no other significant post employment benefits.

The liability for severance benefits is estimated using discounted cash flows, based on current entitlements.

j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and the disclosure of commitments at the date of the financial statements. Despite the use of the Corporation's best estimates, it is reasonably possible that the estimates for loans and investments could change materially in the near term.

3. ACCOUNTS RECEIVABLE

	2003	2002
Due from the Atlantic Canada Opportunities Agency (note 11)	$ 5,702,487	$ 3,405,784
Parliamentary appropriation	2,517,000	1,808,000
Cape Breton Growth Fund Corporation	142,998	213,167
Harmonized sales tax rebate	128,260	38,193
Other receivables	81,390	207,331
	$ 8,572,135	$ 5,672,475

The amount from the Atlantic Canada Opportunities Agency relates to expenditures made on behalf of the Agency pursuant to a memorandum of understanding. The amount due from the Cape Breton Growth Fund Corporation is for services performed on its behalf. Other receivables are incurred in the normal course of business with no significant concentration of debtors.

Accounts receivable are due on demand, are non-interest bearing and the carrying amounts approximate fair values because of their short term to maturity.

4. LOANS

At March 31, 2003 the Corporation had a portfolio of 41 loan accounts (2002 - 44). These loans are issued in order to promote economic development to support the corporate mandate. The total portfolio consists of:

	2003			2002
Annual Interest Rate	**Amount Due**	**Allowance**	**Carrying Value**	**Carrying Value**
0%	$ 3,076,994	$ (790,237)	$ 2,286,757	$ 1,993,912
Less than 10%	601,651	-	601,651	106,092
10% and over	315,000	-	315,000	365,000
	3,993,645	(790,237)	3,203,408	2,465,004
Interest receivable	2,021	-	2,021	-
Total loans	$ 3,995,666	$ (790,237)	$ 3,205,429	$ 2,465,004

The Corporation has 8 debtors (2002 - 6) representing 72% of the amount due (2002 - 72%).

Included in the loan balance is a mortgage of $514,000 on property which the Corporation acquired and sold during the year.

The allowance for loan impairment consists of:

2003					2002
Beginning Balance	**Write-offs**	**Conversion to Investment**	**Annual Provision**	**Ending Balance**	**Balance**
$ 1,316,942	$ (252,414)	$ (700,000)	$ 425,709	$ 790,237	$ 1,316,942

The fair value of loans approximates $2.5 million (2002 - $2.0 million). The difference between the fair value and the carrying value results from 77% (2002 - 70%) of the loan portfolio having a zero percent interest rate.

Repayment dates of the loans are as follows:

Date Due	2003 Amount Due	2003 Allowance	2003 Carrying Value	2002 Carrying Value
Past Due	$ 255,034	$ (146,411)	$ 108,623	$ 165,729
2003	-	-	-	634,677
2004	551,791	(103,069)	448,722	363,698
2005	672,356	(153,109)	519,247	353,119
2006	649,608	(95,806)	553,802	292,209
2007	544,318	(61,101)	483,217	284,814
2008 & beyond	1,320,538	(230,741)	1,089,797	370,758
	3,993,645	(790,237)	3,203,408	2,465,004
Interest receivable	2,021	-	2,021	-
	$ 3,995,666	$ (790,237)	$ 3,205,429	$ 2,465,004

Forgivable loans totalling $178,843 (2002 – $187,903) are not included in the loan portfolio. The statement of operations and equity includes a recovery of nil (2002 – $374,111) for forgivable loans.

Conditional repayable contributions totalling $17.2 million (2002 – $15.6 million) are not included in the loan portfolio. The statement of operations and equity includes a charge of $1.7 million (2002 – $3.7 million) to development expenses for the disbursement of conditional repayable contributions during the year. There were no conditional repayable contributions that became due and receivable by the Corporation (2002 – nil).

In 1999, the Corporation transferred ownership of the Sydport Industrial Park to a private sector group. The original sale price for this transaction was $3.1 million. The balance outstanding at March 31, 2003 is $2.8 million (2002 – $2.9 million). The intent of the agreement is that credit for the mortgage and interest will be earned by the private sector group through creation of jobs and investment in the Park. If the purchaser significantly violates the terms of the agreement, the Corporation has the right to retake possession of the property.

5. INVESTMENTS

The Corporation has made investments to promote economic development in Cape Breton. The balance consists of:

	2003 Cost	2003 Allowances	2003 Carrying Value	2002 Carrying Value
Shares	$2,100,000	$(1,617,687)	$ 482,313	$ 300,000

The shares consist of non-voting, redeemable, and retractable preferred shares in private sector entities. No dividends were received or declared during the year (2002 - nil).

Management has recorded these investments net of an allowance for impairment of $1.4 million and an allowance for valuation adjustment of $217,687. The fair values of investments, determined using discounted expected future cash flows, approximate their recorded carrying value.

During the year, the Corporation converted a loan in the amount of $700,000 into an equity investment and restructured an existing equity investment of $700,000.

6. INVESTMENT IN SUBSIDIARY

A summary of the audited financial position and results for the fiscal year of operation of the Growth Fund are:

Balance Sheet	**As at March 31, 2003**	**As at March 31, 2002**
Assets	$ 60,595,845	$ 41,323,831
Liabilities	280,444	2,798,504
Shareholder's equity	60,315,401	38,525,327

Statement of Operations	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Program expenses	$ (4,457,112)	$ (7,642,949)
Program support and administrative expenses	(1,317,521)	(1,283,080)
Interest income	1,564,707	1,359,193
Funding from Enterprise Cape Breton Corporation	23,000,000	25,000,000
Other government funding	3,000,000	3,100,000
Net income after government funding	$ 21,790,074	$ 20,533,164

The Growth Fund has issued one $1 share. This share represents the Corporation's investment in the Growth Fund and is accounted for using the cost basis of accounting. Therefore, the results of the Growth Fund are not reflected in these financial statements.

7. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization & Write Down	Net Book Value	Net Book Value
Land for development	$ 535,088	$ 341,596	$ 193,492	$ 4,209
Equipment, furniture and leasehold	2,038,332	1,578,138	460,194	446,254
Rental facilities	2,776,418	2,124,373	652,045	177,184
	$ 5,349,838	$ 4,044,107	$ 1,305,731	$ 627,647

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2003	2002
Due to the Atlantic Canada Opportunities Agency (note 11)	$ 200,891	$ 400,626
Payable on behalf of the Atlantic Canada Opportunities Agency	7,675,616	4,350,711
Harmonized sales tax payable	442,405	15,645
Other payables	3,859,234	4,301,971
	$ 12,178,146	$ 9,068,953

The amounts due to and payable on behalf of the Atlantic Canada Opportunities Agency relate to activities on behalf of the Agency pursuant to the memorandum of understanding. Other payables are subject to normal commercial conditions and relate to development and administrative expenses.

9. PROGRAM EXPENSES

Development and other program expenses consist of:

	2003	2002
Development expenses		
Support to business	$ 2,936,629	$ 2,123,766
Support to communities	5,081,159	6,925,558
Trade and investment	264,238	200,588
Policy and advocacy	344,473	159,569
Image	28,710	157,755
Strategic initiatives	-	27,565
Tourism marketing	-	506,128
	$ 8,655,209	$ 10,100,929
Other program expenses		
Program support	$ 1,287,723	$ 1,183,232
Rental and development facilities	194,422	141,618
	$ 1,482,145	$ 1,324,850

10. COMMITMENTS

(a) As at March 31, 2003, the Corporation had outstanding commitments for development programs totalling $10,907,182 (2002 - $4,028,940).

(b) Future minimum payments by fiscal year on operating leases in excess of one year are as follows:

2004	$ 507,055
2005	507,055
2006	42,255
	$1,056,365

11. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the cost of services provided by other federal government departments, agencies, and Crown corporations are reflected in the statement of operations and equity and totalled $154,398 (2002 - $97,949). These transactions are in the normal course of operations and are recorded at the exchange amount.

The Corporation has entered into a memorandum of understanding with the Cape Breton Growth Fund Corporation that governs the amount of the contribution to the Growth Fund and the provision of administrative and program support services. In addition, the Corporation provided and recovered program and administrative support of $943,786 (2002 - $762,935).

12. PENSION PLAN

During the year the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA. Contributions to the PSSA during the year were as follows:

	2003	2002
Corporation	$ 433,094	$ 392,028
Employees	196,897	178,800
	$ 629,991	$ 570,828

13. SEVERANCE BENEFITS

The expense for the Corporation's severance benefits for the year ended March 31, 2003 is $127,473 (2002 – $78,376).

14. COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

GLOSSARY OF TERMS

ACOA: Atlantic Canada Opportunities Agency is a federal government agency, headquartered in Moncton, New Brunswick. ACOA's goal is to improve the economy of Atlantic Canadian communities through the successful development of business and job opportunities.

AIP: Atlantic Investment Partnership — A $700-million ACOA initiative making investments in four major areas: innovation, community economic development, trade and investment, and entrepreneurship and skills development.

ATIP: The Atlantic Trade and Investment Partnership is a $54-million comprehensive strategy, funded by ACOA, to strengthen the performance of the Atlantic region and to increase foreign direct investment.

CAF: Community Adjustment Fund — In response to the closure of the Prince Mine, additional economic development funding was provided to ECBC to assist with community re-development in areas most affected by the closure of Prince mine.

CBGF: The Cape Breton Growth Fund Corporation was incorporated in August 2000 and is responsible for the delivery of the economic adjustment funding made available by the Government of Canada and the Province of Nova Scotia following the closure of the Cape Breton Development Corporation. CBGF is a wholly-owned subsidiary of ECBC, but functions as a parent Crown corporation with its own Board of Directors. It reports separately to Parliament.

CED: Community Economic Development

Commercial: An individual, sole proprietorship, partnership, co-operative, a body corporate (including Crown corporations), or any trustee or legal representative who carries on, or is about to carry on, legitimate profit driven business activities on Cape Breton Island, but does not include a government or municipality.

DEVCO: The Cape Breton Development Corporation was formed by an Act of Parliament in 1967 with a mandate to reorganize and rehabilitate the coal industry on Cape Breton Island. The Corporation closed its last remaining coal mine in the fall of 2001.

EDA: The Canada/Nova Scotia COOPERATION Agreement on Economic Diversification (EDA) was a $261-million federal-provincial regional economic development tool that allowed government to invest in joint initiatives aimed at achieving economic diversification, sustained economic growth and improved competitiveness. The EDA terminated on March 31, 2002.

Exports: Includes sales to destinations outside of Canada, tourism receipts from outside Canada and import substitution of goods and services from outside Canada.

Full-time Equivalent Jobs (FTEs): Permanent, direct, seasonal or part-time jobs converted to the equivalent of full-time jobs at the approved conversion rates.

Investment: Refers to Foreign Direct Investment (FDI) meaning investment in Canada that originated outside of the country as well as Canadian investment from outside Cape Breton Island.

Job Created:* Direct FTE jobs created in the operation, as a result of the eligible project, prior to the project completion date, and which are expected to last at least five years. Jobs are pro-rated among funding from a number of sources administered by ECBC based on the proportionate amount of the aggregate project investment contributed by each.

Leverage: Is calculated by subtracting the total amount of assistance from the total project cost. Leverage includes the applicant's equity, private investors/lenders and other sources of government financing. Funding from a number of sources administered by ECBC (for the same project) is not counted as leverage.

Non-commercial: A not-for-profit entity that may include a municipal government, not-for-profit Crown corporation, a not-for-profit organization owned or controlled by a provincial or municipal government, a local economic development association, an institute or a university.

NSCC: Nova Scotia Community College — operates two campuses on Cape Breton Island, in Sydney and Port Hawkesbury.

Priority Sectors: ECBC has established five strategic priority areas/sectors for assistance: knowledge-based, tourism, oil and gas, agriculture, and aquaculture.

Project: An initiative undertaken by ECBC either by itself or in conjunction with one or more third parties. Projects are recorded in the month an applicant's application is approved.

SMEs: Small and Medium-sized Enterprises

Strategic Activities: ECBC has defined strategic activities in the case of the following: support to business, support to communities, trade and investment, advocacy, policy and research, and the Community Adjustment Fund.

** Jobs are calculated using the definitions contained in Measuring Job Impacts, Definitions and Examples, Atlantic Canada Opportunities Agency.*